



Doing Business In Macedonia: A Country

Commercial Guide for U.S. Companies

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- [Chapter 1: Doing Business In ...](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

[Return to table of contents](#)

Chapter 1: Doing Business In Macedonia

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

Market Overview

[Return to top](#)

- Macedonia is a small Southeastern European country that has implemented substantial reforms in its economic, legal and political systems in order to improve its attractiveness to foreign investors. However, problems with enforcement of these reforms and respect for the rule of law in general continue to affect business opportunities.
- The European Union granted Macedonia candidate status in 2005, and the country is implementing additional reforms to meet the requirements of EU membership.
- Macedonia remains committed to joining NATO, and is actively participating in NATO-led operations.
- Macedonia's political and security situation is stable.
- Macedonia has maintained a sound macroeconomic foundation for the past several years. Inflation is low, 3.9 percent in 2011, and the Government budget deficit in 2011 was only 2.5 percent of GDP. The currency is stable and pegged to the euro.
- Macedonia in 2011 was rated "BB+" for foreign currency debt and "BB" for local currency debt by Standard and Poor's, and "BB+" for both by Fitch Ratings.
- Macedonia is open to international trade, with total 2011 trade (imports plus exports) reaching USD11.5 billion, or 117.9 percent of GDP. In 2011, U.S. - Macedonia trade in goods totaled USD 89.7 million.

Market Challenges

[Return to top](#)

- There are no legal barriers to foreign businesses entering Macedonia. In fact, the law provides incentives for foreign investment, and the Government is actively promoting Macedonia as a desirable investment location. The World Bank recently ranked Macedonia as the 22nd best country in the world in which to do business. However, challenges to doing business in Macedonia remain, including:
- The country's weak judicial system and significant levels of corruption present challenges. While reforms of the legal system are underway, the courts are slow,

inefficient, and subject to political pressures and corruption. This makes it difficult in some instances to enforce contracts.

- There is excessive “red-tape” in the public administration. The Government recognizes this is a barrier to investment and is working to ease the regulatory burden.
- Enforcement of intellectual property rights is weak and inconsistent.
- The cadastre system of real estate property titles is poorly maintained and incomplete. An ongoing reform program is addressing this challenge.
- Some markets remain uncompetitive due to powerful incumbents and weak enforcement of sanctions for anti-competitive activities.
- There are limited air transport links and an uncompetitive airline transportation market. Macedonia has ratified the European Common Aviation Agreement, which should help liberalize the market. An Open Skies Agreement with the U.S. is being finalized and is expected to be signed in 2012.

Market Opportunities

[Return to top](#)

- The most successful U.S. trade products in Macedonia have been frozen meat products, computer hardware and software, pharmacological products and equipment, and specialized technology.
- **Energy** – The Government has privatized some energy assets and intends to provide concessions for other energy opportunities. The private electricity distribution company is making substantial infrastructure investments.
- **Transportation** – As Macedonia upgrades its transportation infrastructure – roads, railway, and airports – there are opportunities in this sector.
- **Information Technology and Computers** – This growing sector continues to provide opportunities for U.S. companies.
- **Construction** – There are both export and investment opportunities available for U.S. companies in the construction and building materials sector.
- **Tourism** – The country’s geographical location, scenic areas, and historic and religious sites provide opportunities for tourism industry investment, development, and management.
- **Agriculture** – Agriculture is an important segment of the economy, and there are opportunities for trade and investment in agricultural and food processing equipment.

Market Entry Strategy

[Return to top](#)

The decision on how to enter the Macedonian market can have a significant impact on results. Depending on product, services, and long-term strategy, U.S. companies may

choose direct exports to an end-user, various distribution models, licensing, joint ventures, or direct investment.

To discuss market entry options, please see <http://www.buyusa.gov/macedonia/en/> ; or contact Mr. Arben Gega, Commercial Specialist at the U.S. Embassy in Skopje, via gegaa@state.gov .

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/26759.htm>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

Using an Agent or Distributor

[Return to top](#)

U.S. companies seeking to market and distribute their goods will find a considerable number of merchants, agents, middlemen, wholesalers and retailers available in Macedonia. In fact, all of the typical distribution channels are available, although they often lack the sophistication of distribution networks found in western markets. The most significant marketing area in Macedonia is its capital, Skopje (population over 600,000), where most business activity is based. Other major business centers include Bitola (population 75,000), Prilep (population 67,000), and Tetovo (population 51,000).

Macedonia's retail sector is dominated by small shops. Retail outlets vary from roadside shops and open air markets to city storefronts and shopping centers. A few malls and department stores can be found in the larger cities. While many stores specialize, it is still common to find stores with an unusual mix of merchandise (bicycles sold next to paper products and small appliances, for example). Fruits and vegetables are typically sold at open-air public markets.

There are two main shopping malls in Skopje and many shops carry Western goods. The Greek supermarket chain Veropulos ("Vero"), which entered the market in 1998 with two stores in Skopje, has since added three more in Skopje, two in Bitola, and one in Tetovo, and has plans for expansion into other parts of the country. In September 2010, Veropulos opened a big shopping center – Vero Center – in Skopje. The Turkish supermarket chain "Ramstore" has two stores in Skopje and one in Tetovo. "Germanos Telecom Skopje," a subsidiary of the Greek GERMANOS Group, operated in country from February 2002 until March 2009, when it was sold to Slovenian Telekom, and

rebranded into ONE Telecommunications. It is now one of the leading suppliers of telecommunications goods and services, with its 66 stores.

Consumer-oriented trade shows are an important part of the retail scene. Frequent sector-specific shows such as furniture shows and consumer electronics shows attract regional and local participants and exhibitors.

Establishing an Office

[Return to top](#)

As specified by the Company Law (Official Gazette No. 28/2004; 84/2005; 25/2007; 87/2008); the following forms of business can be established in Macedonia: general partnership, limited partnership, limited liability company, joint-stock company, and limited partnership by shares. We strongly suggest that anyone interested in opening a business in Macedonia review the company registration process at (<http://www.investinmacedonia.com/Default.aspx?item=menu&itemid=706&themeid=314>) and work with a reputable local business consultant or attorney.

As of January 2006, the Central Registry established a single window system for registering a business (<http://www.crm.com.mk/>), eliminating the lengthy procedures that had been an obstacle to establishing business entities.

Total initial cost of establishing business office is approximately USD 200.

Franchising

[Return to top](#)

McDonald's has opened six successful restaurants since 1997, and the franchisee plans to expand further. Holiday Inn opened a popular hotel in downtown Skopje in 2000, and the Best Western Plaza opened in 2002. Office 1 Superstore USA operates several retail office supply stores. Other U.S. franchises in Macedonia are Diners' Club, Western Union and Nike. Many European companies, such as Big Star, Diesel, Benetton, Mango, Zara and Bitsiani, have established outlets in Macedonia.

The best prospects for franchising opportunities are in restaurants, hardware stores, specialty retail stores, printing and photocopying services, and equipment rental centers. Consumers in Macedonia are looking for retailers who can provide a consistent selection of quality products at reasonable prices. Entrepreneurs in Macedonia are also eager to obtain technology and management expertise.

Although franchising is a relatively unexploited concept for the business community in Macedonia, the legal system in Macedonia accommodates franchise agreements. Franchises have some advantages over domestic companies due to tax breaks and incentives.

Direct Marketing

[Return to top](#)

Direct marketing is not well developed in Macedonia. Direct marketing techniques need to be refined and legislation for consumer protection strengthened. A style of mail-order

catalogs unique to Macedonia has begun to enter the market. Rural mail deliveries are sometimes unreliable, however, and rural people generally prefer to deal with local vendors. AVON has reported success in the direct sale of cosmetics. Currently, at least one business is using the television home shopping channel, "Teleshop," to sell sports equipment, kitchen tools, household cleaning products and health and beauty supplies. Internet marketing is insignificant. Telemarketing has not caught on in Macedonia.

Direct marketing through catalogs, telemarketing and the internet from the United States to Macedonia is still quite difficult. Credit card use in Macedonia lags behind other countries in the region. With increased confidence in the banking system, debit cards are now becoming increasingly popular. Due to low purchasing power, the high cost of shipping, and lack of security for parcels and mail at most homes, catalog shopping and internet shopping from the United States is in its infancy. However, e-commerce is expected to grow in Macedonia over the long term.

Joint Ventures/Licensing

[Return to top](#)

Existing legislation permits joint ventures, mixed ownership investment, and both foreign and domestic investment. Because many large firms have undergone privatization, joint ventures are common. Often, a local company will team up with a foreign company providing equipment and merchandise, while the local company provides buildings, warehouses, office space and personnel.

Selling to the Government

[Return to top](#)

In November 2007, the new Law on Public Procurement was adopted (Official Gazette 136/2007 – <http://bjn.gov.mk/en/root/laws/ppLaw.html>) to help increase the transparency of the Government's tendering procedures, to provide consistency with other legislation and to strengthen the legal protection of bidders. The Law on Public Procurement was prepared with U.S. Agency for International Development (<http://www.usaid.gov/index.html>) assistance.

Some tenders are restricted to domestic companies, and foreign companies are ineligible to participate (especially in the areas of defense). By law, both local and foreign potential providers are supposed to be treated equally. However, experience has shown that the tendering process is not consistently transparent. Requests for assistance regarding the tendering process can be directed to Mr. Arben Gega, Commercial Specialist at the U.S. Embassy in Skopje, via gegaa@state.gov.

The central government, municipal institutions and agencies, or any entity receiving budgetary funds must use public procurement procedures. The intended contract can be for the purchase, supply, transportation, rent, lease, manufacturing, assembly or maintenance of personal property or real estate. It can also be, for the provision of services, or for the study, design, construction, or improvement of property. A simple tender, a two-phase tender, a silent auction, or negotiations with three or more potential contractors (one in exceptional cases) must precede the contract to ensure competitiveness, equal opportunity and fairness. Companies should review tender

specifications closely to ensure that they are not written to limit competition ("lockout" specifications).

Tenders financed by the World Bank and other international financial institutions must be conducted pursuant to the respective organization's procurement guidelines. This means that the tendering process is conducted in an open and transparent manner, with the emphasis on meeting tender specifications and price competitiveness. Requests for assistance regarding the World Bank tendering process can be addressed to the U.S. Executive Director's Office at the World Bank in Washington DC.

Distribution and Sales Channels

[Return to top](#)

Although Macedonia is a small market, and there are no major and complex distribution or warehousing operations, it may well serve as a unique gateway to the markets of Central and Eastern Europe by virtue of its advantageous location.

Retail trade is still quite fragmented with a large number of small independent outlets that include specialized shops, supermarkets, kiosks, street vendors, open-air markets and wholesale centers.

Specialized shops have developed rapidly, and are usually located in the capital city and a few other larger cities. The modern retail system appeared in Macedonia during the late 1990's when the foreign Veropoulos "VERO" supermarkets opened. In June 2005 the Ramstore Shopping Mall in Skopje opened with a number of foreign retail stores. Technomarket, an exclusive distributor of the world renowned brands such as Sony, Philips, Pioneer, Whirlpool, Ariston, Hitachi, and many more, has introduced itself to the market via specialized stores. In addition to these foreign chains, domestically established supermarkets and retail chains, such as TINEX, also have attracted consumers.

Stricter application of customs and tax administration regulations over the past few years, with on-going modernization of the domestic distribution sector, have significantly reduced illegal cross-border imports, which previously flourished.

Selling Factors/Techniques

[Return to top](#)

Disposable income in Macedonia remains relatively low when compared with Western European countries. Most consumers purchase goods primarily based on price. The focus on price is reflected in the relatively poor quality of merchandise in traditional shops. Shops often carry counterfeit brands, which indicates the importance of brand image to consumers. The importance placed on quality is growing, however, and more and more people are willing to pay a higher price for quality goods.

Many consumers prefer monthly installment payments for purchases. Financing and payment terms play a key role in successfully achieving sales. Local firms also are beginning to focus on quality and support services to attract customers. Domestically produced products sometimes offer exceptional quality.

Market size statistics are unreliable in predicting market responses. While low official disposable income statistics might initially discourage market entry, the size of the unofficial economy and inferences from observing actual sales activity paint a brighter picture. First-hand observation on the streets and in the shops is essential for gauging the amount of actual economic activity in Macedonia.

Strong local contacts are important for success in Macedonia. U.S. companies pursuing the market should be prepared to spend time cultivating relationships and find a local representative to provide product support. Typically, one agent or distributor can cover the entire country effectively. When selecting an agent, companies are encouraged to consider the potential partner's marketing reach, contact base, and ability to do business with the entire country and in surrounding countries.

Electronic Commerce

[Return to top](#)

E-commerce transaction volume in Macedonia is low, both for internet merchants, who sell products online, and consumers, who shop online.

There are reasons for the small size of the market. On the merchant side, the main obstacle to e-commerce growth has been the fact that no bank in Macedonia offered merchant services for e-commerce until 2008. With relatively few merchants interested in e-commerce, none of the banks have seen a return sufficient to justify fixed infrastructure investments. Without domestic merchant accounts, online merchants have had to use an offshore payment option, which charges as much as 10% of the transaction.

On the consumer side, the biggest issues have been relatively low internet penetration for many years and the low penetration of e-commerce enabled credit cards. In addition, due to security concerns stemming from fear of identity theft, internet transactions originating in Macedonia have been blocked by several major e-commerce sites, such as eBay and Paypal.

Following is a set of laws and regulations that are relevant for the e-commerce in Macedonia:

- Law on Electronic Commerce
(http://www.mio.gov.mk/files/pdf/na_angliski/Law_on_%20e-Commerce_2007_REV_final.pdf);
- Law on Electronic Data and Electronic Signature;
- Electronic Communications Law;
- Law on Value Added Tax;
- Law on Consumer Protection;
- Trade Law;
- Law on Payment System;
- Law on Registration of Cash Payments;
- Regulation on Exemption from Customs Duties.

As Macedonia is harmonizing its legislation with that of the European Union (EU), it has also adopted the EU Directive 2000/31/EC on electronic commerce and communication

by the European Commission: European Initiative in Electronic Commerce
(<ftp://ftp.cordis.europa.eu/pub/esprit/docs/ecomcom.pdf>).

Trade Promotion and Advertising

[Return to top](#)

Advertising is one of the fastest growing industries in Macedonia. Both consumers and companies are beginning to understand the effectiveness of advertising and the importance of marketing products. All forms of media are widely used: newspapers, magazines, television, radio, outdoor billboards and other signs. The following advertising media are preferred by companies in Macedonia (in descending order): printed media, newspapers and magazines, radio, outdoor billboards/signs, trade shows, sales promotion literature, event sponsorship, and television. Commercial television airtime is too expensive for many Macedonian companies and the cost is rising. As a result, the leading users of television advertising are mainly foreign-affiliated companies, especially those specializing in consumer products. It may be necessary for a U.S. supplier to assist its agent or distributor in Macedonia to cover the cost of television commercials.

Broadcast Media – In addition to the state-owned broadcaster which is funded largely from the national budget and government advertising, there are four private television stations with national coverage, 13 national television stations broadcasting via satellite, and 58 private local and regional television stations. Cable TV is increasingly popular with growing numbers of regional stations. There are 80 independent radio stations.

Print Media – There are six major, private daily Macedonian-language newspapers and three Albanian-language dailies in Macedonia, with a number of specialty magazines in both languages. One of them, Kapital, is a respected weekly that focuses on economic and financial topics and includes frequent in-depth analysis.

All major broadcast and print media offer up-to-date web editions and there is a growing number of online media outlets. Social media networks are growing, especially FaceBook which boasts over 800,000 registered users.

Dnevnik (Macedonian language)
(Marketing Services)
Tel: 389-2-308-9241
Fax: 389-2-308-9251
Website: www.dnevnik.com.mk

Koha (Albanian language)
(Marketing Services)
Tel: 389-2-317-9904
Fax: 389-2-311-8060
E-mail: marketing@koha.com.mk
Website: www.koha.mk

Utrinski Vesnik (Macedonian language)
(Marketing Services)
Tel: 389-2-308-9256
Fax: 389-2-323-5251

E-mail: pretplata@mpm.com.mk
Website: www.utrinski.com.mk

Lajm (Albanian language)
(Marketing Services)
Tel: 389-2-329-6258
Fax: 389-2-329-6259
E-mail: lajm.sk@gmail.com
Website: www.lajmpress.com

Kapital (Macedonian language)
Tel: 389-2-329-8110 / ext. 103
Fax: 389-2-329-8111
Website: www.kapital.mk

Business Directories, or “yellow pages,” have been introduced to the market. Their popularity and usage is increasing and they are becoming more effective.

- www.yellowpages.com.mk
- www.zlatnakniga.com.mk

Outdoor Advertising - Quality outdoor advertising as an organized marketing effort is new to Macedonia and limited to larger cities and main roads/highways. Most outdoor advertising is limited to billboards, buses, large signs and some electronic displays.

Direct Mail - With improved postal service, direct mail advertising is slowly increasing.

Retail/Point-of-Sale Advertising - Point of purchase promotions are not common, but are growing in popularity. Retail stores often treat retail and/or point-of-purchase advertising as a secondary activity. Likewise, merchandise is stocked on shelves with little consideration of appearance. Unless there is assistance from a producer or distributor, retailers will rarely make an effort to enhance point-of-sale advertising. Coca-Cola, for example, has pursued a visible point-of-sale (shops, bars, restaurants, hotels, gas stations) marketing campaign that involves posters and coolers with company logos. The campaign has won Coca Cola significant market share.

Trade Events/Fairs - Trade fairs are particularly good promotion channels for industrial products in Macedonia. Local and foreign firms rely on trade fairs to build business connections, gain market visibility, and learn about new technology. A list of upcoming fairs and events appears in the appendices. An updated list can be found at www.skopjefair.com.mk.

Sponsorships and Special Promotions – Special events offer an excellent avenue to launch new products. Because event promotion is new to the country, they offer an opportunity for a company's products or services to stand out.

Advertising Agencies - Advertising and marketing agencies have developed over the past several years and offer a full range of services. Read under: Local Professional Services.

Pricing

[Return to top](#)

According to official November 2011 data, per capita monthly income in Macedonia is 20,834 denars (approximately USD 460). Consumers are extremely price sensitive and companies must carefully price their products. Imported products are priced substantially higher than locally produced goods. As mentioned earlier, favorable financing may be a critical selling factor for big-ticket items. An 18 percent value added tax (VAT) is charged on most goods and services.

Sales Service/Customer Support

[Return to top](#)

Although service and customer support are relatively undeveloped as marketing tools, more local distributors are attempting to provide quality service to their customers. In the past, customers often have cited price as the determining factor in the purchase of a particular product. Customer service and support have been secondary considerations. Firms selling capital equipment or technology should emphasize customer service and product quality.

Companies in Macedonia may demand full service and support from the U.S. exporter when purchasing imported products. Since foreign prices are generally higher and buyers' limited budgets are already stretched, value-priced/low-cost service and support by U.S. suppliers are important. Emphasis on customer support is an initial step in developing customer loyalty.

American companies seeking to operate in Macedonia may want to consider providing training to their distributors/agents to communicate the firm's distinctive corporate policies, behavior and standards.

Protecting Your Intellectual Property

[Return to top](#)

IPR Climate in Macedonia

Intellectual Property Rights are covered by the Law on Industrial Property, enacted in 2009 (harmonized with EU legislation); the Law for Authors and Common Rights, adopted in 2010; and the Law on Customs Measures for Protection of IPR, enacted in 2006, and amended in 2007. The State Institute for Industrial Property governs patents, trademarks, service marks, designs, models and samples. The protection of author's rights (music, film and television, books, software, etc.) is administered by the Ministry of Culture. In addition, the State Market Inspectorate is responsible for monitoring markets and preventing the sale of counterfeited or pirated goods, and has right to seize goods in cases of legitimate suspect of forgery and piracy. .

Under the Law on Customs Measures for Protection of IPR, the Customs Administration has enhanced authority to investigate cases of counterfeit goods, and has the right to seize preemptively suspect goods, preventing their further distribution pending final disposition. Once counterfeited goods are seized, Customs and/or the State Market Inspectorate are obligated to contact the registered rights holder if they are interested in pressing charges against the importer or trader. If the rights holder wants to press

charges, the case is transferred to the prosecution and courts. If rights holder is not interested to proceed with charges, seized goods are destroyed and no legal action is taken against the importer or trader.

The penalties for IPR infringement depend on the seriousness of the violation. In order of severity, the penalties can include: 30 - 60 days closure of businesses caught selling counterfeited or pirated goods, monetary fines of up to 5,000 euros, a prison sentence up to 5 years. IPR cases are not handled by specialized courts. The latest amendments to the Criminal Code expanded the IPR violations subject to criminal charges to bring Macedonia in line with the relevant international conventions on intellectual property and related rights protection.

Macedonia joined the World Intellectual Property Organization (WIPO) in 1993, and in 1994 became a member of the Permanent Committee of Industrial Property Protection Information of WIPO. As a successor to the former Socialist Federal Republic of Yugoslavia, Macedonia is a party to international conventions and agreements that the former Yugoslavia signed prior to Macedonia's independence.

Macedonia's accession to the WTO in April 2003 underscored the urgent need for the government to prevent copyright infringement. The first step in that direction was taken in 2002 when the Government reached an agreement with Microsoft to legalize all government software. Over the past few years the Government has seized and destroyed significant quantities of counterfeit items and taken some legal actions against those who produce and sell counterfeit goods. Nevertheless, overall enforcement remains weak, and counterfeit goods remain common in shops and markets in Macedonia.

As an EU candidate country, Macedonia is obliged to harmonize its IPR laws and regulations with EU standards, and to demonstrate adequate enforcement of those laws. The Government's Secretariat for European Affairs is coordinating this effort.

General Principles

Several general principles are important for effective management of intellectual property rights in Macedonia. First, it is important to have an overall strategy to protect IPR. Second, it is important to understand that IPR are protected differently in Macedonia than in the U.S. Third, rights must be registered and enforced in Macedonia, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The Economic/Commercial Office of the U.S. Embassy can provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Macedonia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights in the mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, negligence, estoppel, or unreasonable delay in prosecuting a law

suit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be counterfeiters. Projects and sales in Macedonia require constant attention. Work with legal counsel familiar with Macedonian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Macedonia or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- American Chamber of Commerce in Macedonia
- Economic Chamber of Macedonia
- Union of Economic Chambers in Macedonia
- Economic Chamber of North-West Macedonia

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199** or www.uspto.gov/main/trademarks.htm.
- For more information about registering for copyright protection in the US, contact the U.S. Copyright Office at: **1-202-707-5959** or www.copyright.gov/help.
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record

registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.

Due Diligence

[Return to top](#)

While very few Macedonian companies have Dunn & Bradstreet or other internationally recognized business ratings, information on some potential Macedonian companies or partners may be found at <http://www.buyusa.gov/macedonia/en/>. However, the best source of in-depth analysis of a Macedonian partner is through one of the professional associations or companies listed in the next section. This should not be considered an exhaustive list. U.S. companies selling to companies in Macedonia for the first time should consider using instruments such as irrevocable letters of credit until a solid relationship of mutual trust is established. Recent judicial reforms have improved the efficiency and speed of enforcement of court judgments on contracts, and further improvements are expected. Nevertheless, collecting delinquent payments from companies in Macedonia remains difficult due to the lack of collection services and a still inefficient and overloaded court system.

Local Professional Services

[Return to top](#)

Law Association:

Macedonian Business Lawyers Association
Bul. Krste Misirkov, BB
1000 Skopje, Republic of Macedonia
Phone/Fax: 389-2-313-1084
E-mail: mla@mla.org.mk

List of Attorneys:

The U.S. Embassy List of Attorneys
<http://macedonia.usembassy.gov/attorney.html>

Consulting:

BETA Consulting
Mrs. Elizabeta Kocovska – Iceva, BEc
Ilindenska Str. 47
1000 Skopje, Republic of Macedonia
Phone: 389-2-311-4862
Fax: 389-2-311-8825
E-mail: elizabeta@betaconsluting.com.mk

AAG – Analysis and Advisory Group
Mrs. Verica Hadzivasileva – Markovska, Managing Partner
Petar Pop Arsov, 8

1000, Skopje, Republic of Macedonia
Tel: 389-2-324-6422
Fax: 389-2-324-6431
E-mail: aag@aag.com.mk

Accounting:

Grant Thornton
Ms. Ruzhica Filipcheva, Managing Partner
Mito Hadzivasilev – Jasmin, 52 v-1/7
1000 Skopje, Republic of Macedonia
Phone: 389-2-321-4700
Fax: 389-2-321-4710
E-mail: ruzica.f@grant-thornton.com.mk

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Ms. Lidija Nanush, Director
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1000 Skopje, Republic of Macedonia
Phone: 389-2-311-1300
Fax: 389-2-311-9544
E-mail: lnanus@deloittece.com

Ernst & Young
Mr. Tito Belicanec, Country Managing Partner
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1000 Skopje, Republic of Macedonia
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E-mail: eyskopje@mt.net.mk

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Soravia Center Skopje, 7th floor
Vojvoda Vasil Adzilariski, BB
1000 Skopje, Republic of Macedonia
Phone: 389-2-313-5220
Fax: 389-2-311-1811
E-mail: kpmg@kpmg.com.mk

PriceWaterHouseCoopers
Oktomvriska Revolucija Blvd., BB
Hyperium Business Center, 2th floor
1000 Skopje, Republic of Macedonia
Phone: 389-2-314-0900
Fax: 389-2-311-6525

Advertising:

Publicis
11 Oktomvri Street, 3/4
1000 Skopje, Republic of Macedonia
Tel: 389-2-329-7670
Fax: 389-2-3297671
E-mail: office@publicis.com.mk

McCann Erickson Skopje
Cedomir Minderovic, 31
1000, Skopje, Republic of Macedonia
Phone: 389-2-325-3525
Fax: 389-2-325-3535
E-mail: mccann@mccann.com.mk

Saatchi & Saatchi
Ul. 11 Oktomvri, 3/6
1000, Skopje, Republic of Macedonia
Phone: 389-2-329-7688
Fax: 389-2-329-7689
E-mail: office@saatchi.com.mk

Web Resources

[Return to top](#)

<http://macedonia.usembassy.gov/>

<http://www.mla.org.mk/en/>

<http://bjn.gov.mk/en/root/intro.html>

<http://www.deloitte.com/macedonia>

<http://www.ey.com>

<http://www.kpmg.com.mk>

<http://www.pwc.com/mk/en>

<http://www.publicis-mk.com>

<http://www.aag.com.mk>

<http://www.amcham.com.mk>

<http://www.sojuzkomori.org.mk>

<http://www.oemvp.org>

<http://www.mchamber.org.mk>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 4: Leading Sectors for U.S. Export and Investment

- [ENERGY](#)
- [TRANSPORTATION](#)
- [COMPUTERS AND INFORMATION TECHNOLOGY EQUIPMENT](#)
- [CONSTRUCTION AND BUILDING MATERIALS](#)
- [HOTEL & RESTAURANT EQUIPMENT/TOURISM](#)
- [AGRICULTURE](#)

ENERGY

Overview

[Return to top](#)

Changes in the Macedonian energy market are largely shaped by the liberalization of the energy market, regional cooperation and the restructuring of energy production.

Since 1994, electricity consumption in Macedonia has grown by an average of three percent annually. It is expected that electricity consumption will continue to rise.

In April 2006, Macedonia's state owned electric power distribution company – ESM (Elektrostopanstvo na Makedonija) was acquired by the Austrian utility company EVN, for over 200 million euros, with an obligation for EVN to invest an additional 96 million euros in the following 3 years.

The electric power production system in Macedonia consists of three thermal power plants with a total of 800 MW installed capacity and six hydro power plants with 530 MW installed capacity. There are two open pitch lignite mines with a total capacity of 7 million tons/year. The total annual production of electricity in the country is approximately 6,200 GWh, which satisfies about 80 percent of the total domestic energy needs. Macedonia is a full member of the Union for the Coordination of Production and Transmission of Electricity European Interconnection (UCPTE), which ensures interconnect compatibility with European electric power systems.

An oil pipeline with a capacity of 2.5 million tons per year connects oil storage facilities at the port of Thessaloniki with Skopje's OKTA refinery. The OKTA refinery, which was originally created to meet the needs of all of southern Yugoslavia, has the capacity to meet not only the country's needs of approximately 1 million tons of refined products per year, but to export refined products to neighboring areas as well. OKTA has plans for construction of a pipeline from Macedonia to Kosovo and Serbia.

In addition to the Skopje-Thessaloniki pipeline, which follows European Transport Corridor 10, the U.S. consortium AMBO (Albanian-Macedonian-Bulgarian-Oil) has proposed a pipeline that would follow the east-west Corridor 8 route, linking the port of Burgas, on the Black Sea coast of Bulgaria, with the port of Vlore, on the Adriatic coast of Albania. The pipeline would transport oil from the Caspian region to markets in

Western Europe and the United States. If this project is implemented, there could be substantial export and subcontracting opportunities for U.S. companies.

A natural gas transportation pipeline has been constructed to carry Russian gas from the Bulgarian border to Skopje. This pipeline currently supplies primarily industrial users, but several pilot projects are planned to promote the gasification of urban areas. The government has also discussed the possibility of extending the pipeline to other Macedonian cities.

Opportunities

[Return to top](#)

Following the privatization of ESM – Distribution, the Government has liberalized part of the electricity generation market. The Government is offering concessions for investment in hydropower facilities and other new energy generation opportunities. The law on energy is available at

[http://www.erc.org.mk/Uploads/Zakon%20za%20energetika%20-%2063-2006\[1\].pdf](http://www.erc.org.mk/Uploads/Zakon%20za%20energetika%20-%2063-2006[1].pdf).

There are also opportunities to promote more efficient use of electricity, through home insulation and installation of more efficient heaters and electromechanical devices. Also, liberal legislation provides opportunities for small projects and Individual Power Plant (IPP) construction and operation.

TRANSPORTATION

Overview

[Return to top](#)

Macedonia is situated in the center of the Balkan Peninsula at the intersection of several key road and railway links. Macedonia has 8,200 kilometers of roadways (60 percent are paved and well maintained) and 700 kilometers of railways. Two Pan-European Transportation Corridors, Corridor 8 (east-west) and Corridor 10 (north-south) pass through Macedonia. Corridor 8 consists of the E-65 road from Varna, Bulgaria to Durrës, Albania via Skopje, Macedonia and Sofia, Bulgaria. Corridor 10 consists of the E-75 road from Athens, Greece via Skopje, Macedonia, Belgrade, Serbia, and Zagreb, Croatia to Munich, Germany.

Improvements in the past few years have focused primarily on the elimination of “bottle necks” and the completion of the infrastructure on both corridors.

Opportunities

[Return to top](#)

U.S. companies can participate in infrastructure development in the areas of construction equipment and materials, tollbooth equipment, electronic data processing equipment, traffic monitoring, project management services, and telecommunications equipment.

With its centrally positioned geographical location, Macedonia can serve as distribution center for the U.S. vendors operating in the Balkan region, and beyond.

Several foreign airline companies (Austrian Airlines, Adria Airways, Croatia Airlines, JAT, Turkish Airlines) fly into Macedonia's main airport near Skopje. Foreign carriers fly to Skopje from Vienna, Zurich, Ljubljana, Zagreb, Belgrade and Istanbul. U.S. companies have bid for contracts in the field of air transportation services, airport equipment and construction, and air navigation and control systems.

COMPUTERS AND INFORMATION TECHNOLOGY EQUIPMENT

Overview

[Return to top](#)

The computer and information technology (IT) sector in Macedonia is a promising area for U.S. IT companies. The IT sector is involved in many areas, including assembly, sales and maintenance of personal computers and main frames. Other areas include networking, systems integration, software development, internet service providers, web design, multimedia, consulting, and training. In June 2002, Parliament passed the "e-Declaration," a statement of commitment by the government to fast-track electronic commerce. IT revenues for 2010 were close to USD 145 million, which was almost a 13 percent market decline compared to one year before. But with a slowly recovering economy in 2011, the local IT market grew 7.6 percent. IT sector representatives expect it to recover fully during 2012 and reach a value of close to USD 230 million by the end of 2015.

Most of the world's largest IT companies, such as Microsoft, Cisco, IBM, Oracle, Compaq, Hewlett Packard, Dell, Sun Microsystems, Apple, and Lotus, are present in Macedonia via branch offices, distributors, dealers, resellers, solution providers, and business partners.

Opportunities

[Return to top](#)

Several software development companies are creating applications for Western markets. These include banking, air traffic control, digital animation, and website development.

With the liberalization of the telecom industry in February 2005 (the Law on Electronic Communications; <http://www.aec.mk>), many opportunities exist to sell products and services in this market.

CONSTRUCTION AND BUILDING MATERIALS

Overview

[Return to top](#)

The Macedonian construction industry is recognized for its skilled personnel and use of modern technology, especially in the area of civil engineering and hydro-construction. For this reason, Macedonia has been a major supplier of construction services, with local firms working on small and large-scale projects in Central Europe, the Middle East

and Russia. Macedonian firms have good access to Russian markets and also have won contracts for EU projects in Germany and Italy.

According to data compiled from building materials manufacturers, building construction continues to grow rapidly. Macedonia also exports building materials, primarily to Kosovo and Albania. The construction industry has a turnover of USD 400 million annually, 20 – 25 percent of which is spent on imported products, equipment and fixtures.

The construction industry has accounted for between five and eight percent of annual GDP for over a decade. Construction companies in Macedonia are versatile and skilled, designing and building roads, civil and military airports, bridges, high-rise buildings, industrial facilities, dams, tunnels, irrigation systems, water-supply systems, waste-treatment systems and purification facilities. Macedonian construction companies also provide expert studies, investment programs, and engineering and expert technical supervision of domestic projects.

Opportunities

[Return to top](#)

There are both export and investment opportunities available for U.S. companies in the construction and building materials sector. Buildings in Macedonia are energy inefficient and heavy, and take a relatively long time to build. Wood and steel frame buildings are almost unknown, though builders in Macedonia are starting to examine American-style platform-frame wood construction and prefabricated housing. This situation offers many opportunities to promote high-tech American building materials based on advanced U.S. technology. U.S. building products that may have good market prospects include wood and vinyl windows, doors, flooring and kitchen cabinets, suspended ceilings, insulation, adhesives, cements, roofing shingles, heating and ventilation equipment, air conditioning, refrigeration and cooling systems. The domestic market in Macedonia offers primarily cement, cement products, and gypsum products.

HOTEL & RESTAURANT EQUIPMENT/TOURISM

Overview

[Return to top](#)

The tourism sector offers export and investment opportunities and has significant potential for future development. The country's geographical location, mild climate, and historic and religious sites provide favorable conditions for the development of the tourism industry. Macedonia has about 100 hotels, 10 campgrounds, 2 tourist settlements and in total, over 80,000 tourist beds. Macedonia has many tourist attractions, including three natural lakes (Lake Ohrid, Lake Prespa and Lake Dojran), and high mountains suitable for camping, hiking, and winter sports. The most popular tourist destination, which accounts for almost 80 percent of Macedonia's tourist revenues, is Lake Ohrid. The town of Ohrid, in an area of great natural beauty, also enjoys the protection of UNESCO as an historical/cultural heritage site. Numerous hotels need major repair and modernization, especially along the coast of Lake Ohrid, in Skopje, and at the winter ski resorts of Mavrovo, Mt. Shara, and Mt. Pelister. Tourists

mainly come from the countries of the former Yugoslavia, Bulgaria, Greece, Germany, Holland, and Italy.

U.S. franchise hotels, Holiday Inn and Best Western, are present in Skopje.

Opportunities

[Return to top](#)

Since there has been very limited investment in tourism, legacy hotels need repair and upgrading. There has been an increase in construction of smaller hotels, more suitable to the Macedonian market, in areas around Lake Ohrid. There are no golf courses in Macedonia, nor do the three largest lakes, Ohrid, Prespa and Dojran, have any significant watersport centers.

AGRICULTURE

[Return to top](#)

Overview

[Return to top](#)

The food and beverage industry is one of Macedonia's most promising sectors, based on previous performance and potential. Most of the food-processing facilities are in private hands. Agribusiness in Macedonia, including agriculture, forestry, fisheries and food processing, accounts for 16 percent of GDP and for 20 percent of the total number of persons employed in the country.

In 2007, the Government of Macedonia adopted a five year National Strategy for Agriculture and Rural Development 2008-2013 to strengthen the ability of the Macedonian agricultural sector to compete in the EU and other regional markets. Consequently, the agriculture budget has increased over 40 percent in 2007, to USD 49.3 million (exchange rate USD 1 = 41 MKD), and in 2011 reached USD 132 million (exchange rate USD 1 = 43 MKD). The government has promoted agriculture as one of the most important sectors for the development of the Macedonian economy, and adopted and amended several agriculture related laws to comply with EU requirements.

Exports of agriculture and food products constitute 17 percent of Macedonia's total exports. The top export-import markets for agriculture and food products are the EU, Western Balkan Countries (Kosovo, Serbia, Croatia and Bosnia) and neighboring Bulgaria and Greece. The main export products from Macedonia are tobacco (35 percent of total agricultural exports), wine (7 percent of total agricultural exports), fresh and processed vegetables and fruits (10 percent), and lamb meat (7 percent). The main import products remain meat (beef, poultry and pork comprise 50 percent of the total agriculture imports), tobacco, edible oils, and grains.

Food and beverage processing are significant industries in Macedonia, as well as fresh fruits and vegetables. Processed foods include both semi-finished products (including frozen, dried, and concentrate) and finished products (canned and preserved). Over 75 percent of the processed foods are exported, mostly to the EU and to neighboring countries.

As of January 1, 2009, in accordance with the Law on Veterinary Public Health and the Rule Book on sanitary and hygiene conditions for food production, every establishment that is involved in production and/or trade of food products has to implement HACCP standards in order to be able to operate.

Sub-Sector best prospects:

Alcohol production: Macedonia produces approximately 1 million hectoliters of beer, mostly for domestic consumption, and approximately 0.9 million hectoliters of wine annually. Though Macedonia exports much of its wine in bulk (85 percent), an emerging number of smaller private wineries are starting to export quality bottled wine. Over 60 percent of domestic wine production is exported, mainly to the EU, former Yugoslav countries, Russia and the United States. Export opportunities exist for U.S. companies for equipment that will increase the volume of wine bottled in Macedonia, and technology and supplies that will stimulate grape production.

Organic production: Organic farming is an area of expected development and interest both by domestic and foreign markets. In 2009, Macedonia adopted new Law on Organic Agricultural Production, which is harmonized with the European Regulations. In 2011, the Government has significantly increased financial support to the farmers (USD 1.3 million), and initiated National Awareness Campaign to promote organic production to consumers. There are 562 organic farms in the country, and most of them produce grain.

Fresh vegetables production: Vegetable production is export oriented. Almost 80 percent of the vegetable production is exported either as fresh, preserved, or processed vegetables. The production of vegetable crops is concentrated in southern and eastern parts of the country, due to the favorable climate. Over 75 percent of the production is in open fields, 20 percent in plastic tunnels, and the rest in glass greenhouses. The top three vegetable crops are tomatoes (over 50 percent), peppers and cabbage.

Preserved fruits and vegetables: The food processing industry in the Republic of Macedonia consists of 58 companies with a processing capacity of approximately 120,000 tons of vegetables and fruits per year. 91 percent of them process vegetables and 9 percent process fruits. The most significant raw materials are red peppers (48 percent), and industrial tomatoes, and sour cherries (3.5 percent), apples (2.2 percent) and plums (2.3 percent).

Opportunities

[Return to top](#)

Macedonia needs agricultural machinery and equipment, meat and dairy equipment, and veterinary equipment and supplies to expand the quality and quantity of its production. Domestic production of agricultural machinery is minimal, and the market relies on imports. There are substantial opportunities for U.S. companies in the agribusiness area for equipment that will add value to the food processing sector, such as bottling, packaging, and refining equipment. For additional information on marketing opportunities, one may consult: <http://www.buyusa.gov/macedonia/en/>.

The key weaknesses of the agriculture sector are the lack of modern equipment and lack of compliance with EU standards. Experts have also identified problems in waste

treatment and waste disposal, hygiene, animal welfare and in meeting environmental standards.

The Macedonian government considers agriculture a target area for future investments, growth and development, including increased foreign direct investment (FDI).

Grain market: Macedonia imports most of its grains. There is no sufficient domestic production of corn, and annually, the country imports one third of its wheat needs. There is no production of soya bean, and most U.S. origin soybean meal is purchased from Greece, Serbia and Hungary by large farms and concentrate producers. Higher protein meal is in demand, but the market is price sensitive.

Specialty flour: The larger bakeries and mills have purchased specialty flours (high quality, high gluten) for use in blending. Small quantity lots are generally preferred.

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 5: Trade Regulations and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

Import Tariffs

[Return to top](#)

Macedonia became the 146th member of the World Trade Organization (WTO) in April 2003 and is liberalizing its customs regime in accordance with WTO guidelines. As a WTO member, Macedonia has committed itself to the three basic rules of trade conduct: transparency in laws, equal rights and privileges for foreign and domestic firms and citizens, and most-favored nation treatment. Macedonia is constantly harmonizing its customs' laws with EU laws and regulations.

Customs duties generally apply to most products imported into Macedonia. Preferential tariffs apply to countries with which Macedonia has signed a bilateral Free Trade Agreement, as well as to countries participating in multilateral trade agreements, such as the Central European Free Trade Agreement (CEFTA). In 2011, tariffs ranged from 0 – 75 percent, with an average rate of 16.61 on agricultural products percent and 6.20 percent on industrial products or the average rate for all products is 8.75. There is no duty on raw materials for the textile and apparel industry. Excise taxes apply to wine, beer, cigarettes, mineral oils, tobacco, and vehicles. Excise taxes are determined by the type and quantity of the product and are levied in addition to the customs tariff. Custom tariffs on new automobiles range from 5 to 10 percent depending on the engine capacity. The tariff rate for importing used automobiles is 5 percent. However, preferential rates on automobiles coming from the EU countries are 0 percent. From 2011, all preferential duties for industrial products are also 0 percent. There are variable levies for agricultural and food products as well. Other products, like tobacco, wine, and various fruits, are subject to import quotas. Import quotas are provided on a first-come-first-serve basis.

In 2011, as part of the government measures to support the Macedonian economy, custom duties on sugar and some precious metals were reduced. A Value Added Tax (VAT) of 18 percent is applied to most products and services. Only food, potable bottled water, some printed materials such as newspapers, magazines and educational books, raw materials for agriculture production, medicines, medical and orthopedic equipment, public transportation, computer hardware and software, solar energy systems, and

refined and unrefined oils for industrial use for foodstuff for human consumption are taxed at the preferential rate of 5 percent. For imports into Macedonia, the VAT is assessed on the CIF value of the goods plus the duty.

Trade Barriers

[Return to top](#)

A number of products are subject to quality control by market inspection officials at customs offices. These officials are employed by the Ministry of Economy to ensure that imported goods are in compliance with domestic standards. The products subject to quality control include most agricultural products, cars, electrical appliances, and products in which poor quality may pose a health risk to consumers. When applicable, products also must pass sanitary, phytopathologic or veterinary control. (Additional information on sanitary requirements can be obtained from the Ministry of Health, and phytopathologic and veterinary requirements can be obtained from the Ministry of Agriculture, Forestry and Water Resource Management.)

Import regulations are generally numerous and are not always available in English. In order to learn about customs duties, taxes and quality requirements for a specific product, U.S. exporters can consult the Customs Administration web page: <http://www.customs.gov.mk>, or contact freight forwarders or business consultants in Macedonia.

Import Requirements and Documentation

[Return to top](#)

An importer/exporter in Macedonia is responsible for providing the required import/export documentation, which consists of common trade, transport and customs documentation, as well as certificates of origin and certificates of quality control and licenses. Service providers are not subject to customs regulations, but foreign trade transactions are subject to a documentation fee of one percent.

U.S. Export Controls

[Return to top](#)

Most technology can be exported from the United States to Macedonia under general export licensing guidelines, but some equipment requires validated export licenses from the Bureau of Export Administration (U.S. Department of Commerce and/or Department of State). Generally, defense products and equipment such as optical equipment and software that may have a dual use require an export license. Export licenses can be obtained from the Bureau of Industry and Security (BIS at the U.S. Department of Commerce / <http://www.bis.doc.gov/>). BIS coordinates the licensing process with the Departments of State and Defense.

The need for an export license depends on the product's Export Control Classification Number (ECCN), available from the manufacturer, or from BIS's Office of Exporter Services (202) 482-4811 in Washington, D.C. or (949) 660-0144 in Irvine, CA.

Temporary Entry

[Return to top](#)

Products may be imported into Macedonia on a temporary basis. The rules on temporary imports are contained in the Regulation for Application of the Law on Customs (Official Gazette No.39/2005).

Products allowed temporary import status include raw materials processed in Macedonia and re-exported, infrastructure equipment produced by foreign contractors, and office equipment for foreign firms.

Macedonia is a party to the Customs Convention on Carnet (ATA) for Temporary Import of Goods. Presentation of an ATA carnet, or TIR carnet, facilitates the process. An entry carnet may be obtained from a local chamber of commerce in the United States. Carnets are usually valid for 1 year and list the products to be imported on a duty-free basis. The carnet must be presented upon entry into Macedonia. Customs will stamp the carnet, thereby validating it. Upon departure, the carnet must again be presented for validation, confirming that the product is being transported out of Macedonia. Failure to re-export the goods results in application of the corresponding duties. For more information on ATA Carnets, contact the U.S. Council for International Business at 1-866-786-5625 or visit <http://www.merchandisepassport.org>.

Labeling and Marking Requirements

[Return to top](#)

Labels must contain the following information: quality, ingredients, quantity, manner of storage, transport, use, maintenance, country of origin and a “best before” date. The above information must be in Macedonian.

Prohibited and Restricted Imports

[Return to top](#)

Chemicals, weapons, ammunition, pesticides, agricultural products and some other categories of products may require import licenses from the responsible ministry. See the Customs Administration website for details.

Customs Contact Information

[Return to top](#)

Macedonian Customs Administration
Lazar Licenski 13, 1000 Skopje
Republic of Macedonia
Phone: +389 2 322 4342
Fax: +389 2 323 7832
www.customs.gov.mk

Standards

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)

- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)

Overview

[Return to top](#)

The process of developing, certifying and enforcing standards is undergoing reform in Macedonia, and many of the Government's standards bodies are new or recently reorganized.

Standards Organizations

[Return to top](#)

Standards are regulated and developed by the following institutions:

1. Regulatory functions:

- Ministry of Economy, acting as a coordinator;
- Other Ministries for specific topic areas.

2. Controlling functions:

- Customs Administration;
- State Market Inspectorate (Consumer Product Safety Authority).

3. Certification functions:

- Standardization Institute of the Republic of Macedonia;
- Bureau of Metrology;
- Institute for Accreditation of the Republic of Macedonia;
- Laboratories, certification and controlling offices.

Conformity Assessment

[Return to top](#)

Macedonia's main testing and conformity assessment bodies are:

- Standardization Institute;
- Institute for Accreditation;
- Bureau of Metrology.

Product Certification

[Return to top](#)

Product certification requirements are specified in the laws listed in Section Overview.

The Law on the protection and improvement of the environment (<http://www.moep.gov.mk/WBStorage/Files/Law%20on%20Environment.pdf>) regulates safety standards for import/export purposes. The Law on General Safety of Products

was adopted in 2006, those providing a legal framework for non-food product safety. This law implements the following European Directives:

- General Product Safety directive (2001/95/EC);
- Low voltage Directive (73/23/EEC);
- Toy Directive 98/378/EEC);
- Electromagnetic Compatibility (EMC) Directive (89/336/EEC);
- Personal Protective Equipment Directive (89/686/EEC);
- Gas Appliances Directive (90/396/EEC);
- Machine Directive (98/37/EC).

Accreditation

[Return to top](#)

The Parliament of the Republic of Macedonia adopted the new Law on Accreditation in September 2009 (Official Gazette of the Republic of Macedonia; No. 120/2009; <http://www.iarm.gov.mk/images/stories/dokumenti/Law.pdf>), prepared on the basis of European law. Based on that legislation, the Government has established the Institute for Accreditation (IA) as an independent legal entity. The IA performs the accreditation of:

1. Laboratories for testing and calibration;
2. Organizations issuing product certifications;
3. Organizations issuing certificates for systems for quality;
4. Organizations issuing certificates for systems for protecting the environment;
5. Organizations issuing certificates for persons;
6. Organizations conducting supervision.

IA participates at meetings with European and other international organizations for accreditation, and also acts as an advisory body to the Government on issues of accreditation.

The Institute for Accreditation can be contacted at the following address:

Institute for Accreditation of the Republic of Macedonia
Mr. Trpe Ristoski, Director
Vasil Glavinov, bb, Blok X, Mezanin
1000, Skopje, Republic of Macedonia
Tel: 389-2-329-6685
Fax: 389-2-329-3089
E-Mail: trpe.ristoski@iarm.gov.mk

Publication of Technical Regulations

[Return to top](#)

Each of the standardization and accreditation organizations issues bulletins on its procedures. Also, sector-regulating laws are published in the Official Gazette as adopted or amended.

Labeling and Marking

[Return to top](#)

Labels must contain the following information: quality, ingredients, quantity, manner of storage, transport, use, maintenance, country of origin and a “best before” date. The above information must be in Macedonian.

Trade Agreements

[Return to top](#)

Macedonia became a member of the Central European Trade Agreement (CEFTA) in 2000 (<http://www.ceftatradeportal.com/>). In December 2006 CEFTA expanded to include Albania, Bosnia and Herzegovina, Croatia, UNMIK/Kosovo, Macedonia, Moldova, Montenegro, and Serbia. Currently, Macedonia has additional Free Trade Agreements (FTA) with Turkey and Ukraine. In February 2001, Macedonia signed a Stabilization and Association Agreement (SAA) with the European Union, and in December 2005 the European Union granted candidate status to the country. A critical component of the SAA is a preferential trade agreement that allows products from Macedonia to enter the European Union duty free. The agreement also provides for a gradual reduction of duty rates for European Union products entering Macedonia.

Web Resources

[Return to top](#)

Ministry of Economy - <http://www.economy.gov.mk>

Ministry of Finance - <http://www.finance.gov.mk>

Ministry of Internal Affairs - <http://www.mvr.gov.mk>

Macedonian Customs Authority - <http://www.customs.gov.mk>

Secretariat for European Affairs - <http://www.sep.gov.mk/portal/eng/default.asp>

Standardization Institute - <http://www.isrm.gov.mk/>

Institute for Accreditation - <http://www.iarm.gov.mk/>

Bureau of Metrology - <http://www.bom.gov.mk/>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Competition from State Owned Enterprises](#)
- [Corporate Social Responsibility](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)

Openness to Foreign Investment

[Return to top](#)

As a small, open economy, Macedonia continues to take active steps to attract foreign direct investment (FDI), although follow-through and rule of law issues remain concerns. The country has enacted legislation that not only ensures a generally equal footing for foreign investors with their domestic counterparts, but also provides numerous incentives to attract such investment. Macedonia consistently provided national treatment to foreign investors. The country has concluded a number of bilateral investment protection treaties and adopted other multilateral conventions that impose stricter standards of protection for foreign investors, but none with the United States.

The legal and regulatory framework is generally favorable, and Macedonia continues to reform. However, challenges remain for foreign and national investors alike, including corruption, lack of capacity and communication in and among bureaucracies, and concerns about the rule of law. This includes the judiciary's ability to deliver efficient and uniform application of the law, even in high-profile cases, and law enforcement actions under conditions which left room for the appearance of impropriety and selective prosecution. Although many changes have been legislated, implementation is inconsistent, often due to lack of institutional capacity. Macedonia's aspirations for membership in NATO membership and the European Union remain stalled due to the protracted dispute with Greece over Macedonia's constitutional name, resulting in concerns for the country's economic and political stability should Macedonia remain outside these structures. The amount of FDI coming into Macedonia has dropped significantly in recent years. Whereas FDI totaled USD 587 million in 2008, by the end

of 2010 FDI had dropped to USD 207.5 million. A slow comeback of FDI to the country started this year with USD 235 million invested in the first three quarters of 2011. The global economic crisis has undoubtedly played a role in limiting money available for investment. However, corruption, rule of law concerns and stalled Euro-Atlantic integration have played a greater role in hindering Macedonia's attraction of significant FDI. FDI accounted for 3 percent of GDP in 2010 and is expected to come in at a similar level in 2011.

The Constitution of the Republic of Macedonia guarantees the equal position of all entities in the market, and provides for free transfer and repatriation of investment capital and profits for foreign investors. Macedonia's privatization process is nearing completion, with about 20 companies left in state ownership, and private capital is dominant in the market. Under Macedonian law, foreign and domestic investors have equal opportunities to participate in the privatization of remaining state-owned assets. There is no single law regulating foreign investments. Rather, the legal framework is comprised of several laws, including: the Trade Companies Law; Securities Law; Profit Tax Law; Customs Law; VAT Law; Law on Trade; Law on Acquiring Shareholding Companies; Foreign Exchange Operations Law; Payment Operations Law; Law on Foreign Loan Relations; Law on Privatization of State-owned Capital; Law on Investment Funds; and the Banking Law.

Over the last year, Macedonia improved its ranking on the World Bank's 2012 Ease of Doing Business Report from 38th to 22nd position, and retained the BB+ credit rating from Fitch and from S&P. However, Transparency International gave the country a score of 3.9 (on a 1 to 10 scale where 10 is least corrupt) on the 2011 Corruption Perception Index, a drop from a score of 4.1 in 2010.

The Government of Macedonia is the largest employer and one of the largest purchasers of goods and services in the country. While efforts supported by the U.S. and other donors to safeguard transparency and fair dealing have met with some success, the public procurement and tendering process remains opaque and prone to misuse. Many companies complain that tender procedures are frequently written to exclude or "fix" competition. Often, the conditions for bidding are changed during the tendering process, leading some bidders to withdraw. The results of NGO studies are consistent with these anecdotal claims. For instance, nearly one in four public procurement tenders are cancelled, and the number of bidders participating in annulled tenders was twice that of the number of companies participating in procedures where a winning bid was selected. E-Procurement procedures, which reduce the opportunity for corruption and the appearance of impropriety, have been effective and gained international recognition, but efforts to expand their use must continue to realize their full benefit.

- The Trade Companies Law

This is the primary law regulating business activity in Macedonia. It defines the types of companies allowed to operate in Macedonia, as well as procedures and regulations for their establishment and operation. All foreign investors are granted national treatment, and are entitled to establish and operate all types of private or joint-stock companies. Foreign investors are not required to obtain special permission from state-authorized institutions other than what is customarily required by law.

- Law on Privatization of State-owned Capital

Foreign investors are guaranteed equal rights with domestic investors when bidding on tenders for company share packages owned by the government. There are no legal impediments to foreign investors participating in the privatization process of domestic companies.

- Foreign Loan Relations Law

This law regulates the credit relations of domestic entities with those abroad. Specifically, it regulates the terms by which foreign investors can convert their claims into deposits, shares or equity investment with the debtor company or bank. The Foreign Loan Relations Law also enables rescheduled debt to be converted into foreign investment in certain sectors or in secondary capital markets.

- Law on Investment Funds

A revised Law on Investment Funds was adopted in January 2009. The new law governs the conditions for incorporation of investment funds and investment fund management companies, the manner and supervisory control of their operations, and the process of selection of a depository bank. The law does not discriminate against foreign investors in establishing open-ended or closed investment funds.

- Law on Takeover of Shareholding Companies

This law regulates the conditions and procedure for purchasing more than 25 percent of the voting shares of a shareholders company in Macedonia. The company must be quoted at an official stock market, and must have at least 25 employees and initial capital of EUR 2 million. This law does not apply to shares in companies owned by the Republic of Macedonia.

- Law on Foreign Exchange Operations

This law establishes the terms for further liberalization of capital transactions. It regulates current and capital transactions between residents and non-residents, the transfer of funds across borders, as well as all foreign exchange operations. All current transactions (i.e., all transactions that eventually are registered in the current account of the balance of payments, such as trade and private transfers) of foreign entities are allowed. There are no restrictions for non-residents to invest in Macedonia. Foreign investors may repatriate both profits and funds acquired by selling shares after paying regular taxes and social contributions. In case of expropriation, foreign investors have the right to choose their preferred form of reimbursement. Since 2008, foreign nationals have been permitted to own land in Macedonia, and may invest in or own fixed assets and real estate. Foreign investors may also establish domestic companies of any kind.

- Profit Tax Law

The corporate profit tax rate is 10 percent. At the beginning of 2006, the GOM amended the Profit Tax Law and introduced a withholding tax on income for foreign legal entities. The withholding tax is applied to income from dividends, interest, management consulting, financial, technical, administrative, research and development services,

leasing of assets, awards, insurance premiums, telecommunication services, authors fees, and sports and entertainment activities. Income from all of these activities is subject to a 15 percent withholding tax rate, except for income from interest and leasing of real estate, which are taxed at a 10 percent rate. This withholding tax does not apply to legal entities from countries which have signed an agreement for avoiding double taxation with Macedonia. The United States does not have such an agreement with Macedonia.

- Other Legal Considerations

Foreign investment may be in the form of money, equipment, or raw materials. According to the law, foreign investors have the right to receive the full value of their investment in the case of nationalization, a provision which does not apply to national investors.

The privatization process is governed by the Law on Transformation of Enterprises with Social Capital (Official Gazette 38/93) and the Law on Privatization of State-owned Capital (Official Gazette 37/96). To finalize the privatization of remaining loss-making and bankrupted state companies, the government offered large discounts on the nominal value of the shares and did not impose employment and investment requirements. The telecom company Macedonian Telecommunications is the largest state-owned entity privatized so far.

Foreign investors are allowed to invest directly in all industry and business sectors except those limited by law. Investment in the production of weaponry and narcotics is subject to government approval. Investors in some sectors, such as banking, financial services, and insurance, must meet certain licensing requirements that apply equally to domestic and foreign investors.

Conversion and Transfer Policies

[Return to top](#)

Macedonia's national currency, the denar (MKD), while fully convertible within the domestic market, is not convertible on foreign exchange markets. Conversion of most foreign currencies is possible on the official foreign exchange market. In addition to banks and savings houses, numerous authorized exchange offices also provide exchange services. The National Bank of the Republic of Macedonia operates the foreign exchange market, but participates on an equal basis with other entities. Required foreign currency reserves are spelled out in the banking law. There are no restrictions on the purchase of foreign currency by residents.

Parallel foreign exchange markets do not exist in Macedonia, largely due to the long-term stability of the denar. The National Bank of the Republic of Macedonia has successfully pegged the denar to the euro and kept inflation low.

The Constitution of Macedonia guarantees the free transfer and repatriation of investment capital and profits. By law, foreign investors are entitled to transfer profits and income without being subject to a transfer tax. Investment returns are generally remitted within three working days.

The Republic of Macedonia has not taken expropriation measures, and there is no reason to expect the government will take such action in the future. There have been no demonstrated tendencies of authorities to discriminate against U.S. investments; to the contrary, the government actively seeks U.S. and other foreign investment. The government does not impose confiscatory taxes. According to the Constitution of Macedonia and the Law on Expropriation (Official Gazette 33/95, amended Official Gazette 20/98, 40/99, 31/03, and 46/05), foreign ownership is exempt from expropriation except during instances of war or natural disaster, or for reasons of public interest. Public interest, as defined by this Law, includes the following:

- Construction of infrastructure;
 - Construction of power stations, waterworks, water supply systems, postal and communication systems and all accompanying and supporting infrastructure;
 - Construction of buildings for defense and civil protection and regulation of border crossings;
 - Buildings and equipment for research of natural resources, education, science, health, culture, social security, athletics or activities; and
 - Building settlements following extreme natural disasters and relocation settlements.
- The beneficiary of expropriation is the state, especially when it allocates finances for public service, public enterprise, public funding and local government units. Under the Law on Expropriation, the state is obliged to pay market value for any property expropriated. If the payment is not made within 15 days of the decision brought for expropriation, default interest will be calculated.

In 2002, under the Law on Denationalization, (<http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN015919.pdf>), the government pursued an ambitious plan for returning or providing compensation for nationalized property. In 2007, it revived the project by extending another deadline, until the end of 2007, for receiving denationalization claims. Claimants filed a total of 30,744 claims, of roughly 1,000 remain unresolved. Most of the unresolved cases have been transferred to the courts for adjudication. Compensation has included return of property, compensation with equivalent property, or compensation with government bonds.

Spurred by EU harmonization and deep engagement with the international community, Macedonia's legal system has undergone substantial reform. However, administration of justice is not always uniform, and the courts are often slow and inefficient, lack adequate resources, and are subject to political pressure and corruption. In 2009, the international community spoke out against significant improprieties in the conduct of a case involving the country's largest single investor, Austrian power distributor EVN. The resulting basic court ruling was reversed on appeal and returned to the lower court. Although earlier in 2011, both EVN and ELEM, the Government-owned power generator, agreed to reach out-of-court settlement and the judicial proceedings were terminated, while further steps were made toward finding solution of all open issues between the Government and EVN, the ongoing discussions to resolve remaining issues have not come to a conclusion. Judges face improper pressures on a regular basis, while the system of appointments

for the nation's Judicial Council place a premium on political considerations. This trend became increasingly visible over the course of 2010, and continued in 2011.

Under Macedonian law, arbitration of international disputes is distinct from that of domestic disputes. The parties involved in an international dispute may agree to settle through domestic litigation (Official Gazette Number 79/05; September 21, 2005), through mediation (Law on Mediation; Official Gazette 60/06; May 15, 2006), or foreign arbitration tribunal (Official Gazette Number 39/06; March 03, 2006). Ratified international agreements override domestic legislation.

International arbitration is recognized and accepted under the Law on Arbitration. The government accepts binding international arbitration on investment disputes and has registered over 40 internationally-accredited arbiters. An arbitration court functions within the Economic Chamber, but this dispute resolution mechanism remains underutilized.

Macedonia has signed or inherited from the former Yugoslavia a number of bilateral and multilateral conventions on arbitration, including: the Convention Establishing the Multilateral Investment Guarantee Agency (MIGA); the New York Convention of 1958 (governing the recognition and enforcement of foreign arbitral awards); and the Geneva Convention on the Execution of Foreign Arbitral Awards. Macedonia is also a party to the Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States, and the European Convention on International Commercial Arbitration.

The Law on Courts provides for a three-tiered court system: the Basic Court (or Court of the First Instance), the Appellate Courts and the Supreme Court. In 2007 an Administrative Court was established to try administrative law cases. A Constitutional Court adjudicates constitutional issues. In an effort to provide better resolution of business disputes and improve the business environment, a Law on Mediation was adopted in 2006. This legislation provides for a testing, training, and certification of experts in different fields to act as mediators, administered by the Ministry of Justice. An attempt to introduce mediation in pilot courts through U.S.-funded technical assistance produced modest results, largely due to lack of public awareness and reluctance of legal practitioners to utilize this option.

Performance Requirements and Incentives

[Return to top](#)

In its bid to attract foreign investment, the government has enacted a number of incentives and continued an extensive promotional campaign through international media outlets and high level government road shows.

Both the Law on Customs and Law on Profit Taxes offer incentives to foreign investors. Foreign investors are eligible for profit tax exemptions for: profits generated during the first three years of operation, in proportion to the amount of foreign investment; all profits reinvested in the company; profits invested in environmental protection; and profits invested in "underdeveloped" regions of the country. Companies with at least 20 percent foreign capital are exempt from customs duties for the first three years after registration. Moreover, a flat tax for corporate profits and personal income stands at 10 percent, relief from local taxes and fees, and an exemption from taxes and duties for

imported goods, raw materials, equipment and machines, are facts that the government has highlighted in public campaigns to attract foreign direct investment.

Foreign investors are not required to purchase from local sources or to export all of their production. There are also no requirements for the government to be a partner in an enterprise. Commercial agreements determine which entity retains control over the investment revenue. Furthermore, there are no requirements for reducing foreign equity over time or for transferring technology.

The government places an emphasis on greenfield projects in underdeveloped regions, and offers tax deductions as an incentive to develop, for example, in mountainous territory, border zones, or rural regions.

The Law on Residency of Foreign Citizens sets requirements for both working and resident visas. There are some non-discriminatory limitations on obtaining a visa. A foreign citizen working in Macedonia can be issued a multiple entry visa. An employer should apply to the Employment Bureau to obtain a work permit for any foreign employees working in Macedonia on a temporary or permanent basis. However, many international businesses report that the process of obtaining visas and work permits can be frustratingly slow.

There is no discriminatory export or import policy affecting foreign investors. Almost 96 percent of total trade (export/import) is unrestricted, with some exceptions for textile products. Current tariffs and other customs-related information are published on the Customs website, <http://www.customs.gov.mk/en/DesktopDefault.aspx>.

Right to Private Ownership and Establishment

[Return to top](#)

Under Article 30 of the Constitution of the Republic of Macedonia, the investor's right to own property is guaranteed. Foreign investors may acquire property rights for buildings and rights for other immovable assets to be used for their business activities. They may acquire residential property, as well as directly own construction land (Law on Construction Land; Official Gazette Number 82/08; July 08, 2008). Ownership of property requires preservation of specific rights that serve both the individual and the community. For example, no person may be deprived of his/her property or the rights deriving from it unless the use of that property affects the general welfare of the public. If the property is expropriated or restricted, rightful compensation based on its market value is guaranteed by the Constitution (<http://www.sobranie.mk/en/default.asp?ItemID=9F7452BF44EE814B8DB897C1858B71FF>).

Under Macedonian law, foreign and domestic private enterprises have the right to establish and own business enterprises, engage in all forms of business activity, and freely establish, acquire, and dispose of interests in business activities. The Law on Protection of Competition (<http://www.kzk.gov.mk/eng/law.asp>; Official Gazette Number 04/05; January 25, 2005), amended in 2006 and again in 2007, is intended to guarantee fair business competition.

Protection of Property Rights

[Return to top](#)

While the legal basis for protection of ownership of both movable and real property exists, implementation remains incomplete. Although there are improvements of the cadastre system due to the substantive reforms conducted over the last two years, it remained ineffective, and combined with excessively centralized control of government-owned "construction land" throughout the country, continued to impede business and investment. Delay and unexpected expense to investors has been caused by the lack of both coordinated zoning plans on the regional and local level and an efficient construction permitting system. Additionally, utilization of land by investors is inhibited by the large number of lingering property ownership disputes. However, efforts to improve the registration of real estate through an electronic service have helped to increase the security and speed of real-estate transactions.

In 2011, the Government implemented the project of legalizing property built without construction permits, with payment of 1 euro per square meter. This project allowed for over 350,000 illegally built facilities (95 percent of which belonged to the families below average income) to enter into the spatial plan and to be registered. There was, however, one instance in which a large commercial building under construction and owned by an opposition Member of Parliament was torn down over minor zoning violations in apparent violation of relevant regulations.

The Government continues to seize and destroy counterfeit items and has taken some legal actions against those who produce and sell counterfeit goods. Nevertheless, overall enforcement remains weak, and counterfeit goods remain common in shops and markets throughout Macedonia. As an EU candidate country, Macedonia is obliged to harmonize its IPR laws and regulations with EU standards, and to demonstrate adequate enforcement of those laws. The Government's Secretariat for European Affairs is responsible for coordinating this effort.

Intellectual Property Rights are protected by the Law on Industrial Property, from 2009 (harmonized with the EU legislation); the Law for Authors and Common Rights, new law adopted in September 2010; and the Law on Customs Measures for Protection of IPR, enacted in 2006, and amended in 2007. The State Institute for Industrial Property governs patents, trademarks, service marks, designs, models and samples. The protection of author's rights and other related rights (music, film and television, books, software, etc.) is administered by the Ministry of Culture, while the State Market Inspectorate is responsible for monitoring markets and preventing the sale of counterfeited or pirated goods.

Under the Law on Customs Measures for Protection of IPR, the Customs Administration has enhanced authority to investigate cases of counterfeit goods, and has the right to seize preemptively suspect goods, preventing their further distribution pending final disposition.

The penalties for IPR infringement depend on the seriousness of the violation. In order of severity, the penalties can include: 30 – 60 days closure of businesses caught selling counterfeited or pirated goods, monetary fines of up to 5,000 euro, or prison sentence up to 5 years. IPR cases are not handled by specialized courts.

Macedonia joined the World Intellectual Property Organization (WIPO) in 1993, and in 1994 became a member of the Permanent Committee of Industrial Property Protection Information of WIPO. As a successor to the former Socialist Federal Republic of

Yugoslavia, Macedonia is a party to international conventions and agreements that the former Yugoslavia signed prior to Macedonia's independence.

Transparency of Regulatory System

[Return to top](#)

There are no laws, policies, or legal regulations that formally would impede foreign investment in Macedonia. Unfortunately, excessive bureaucratic 'red tape' still poses difficulties in all spheres of government administration, providing opportunities for corruption and delaying administrative processes. Reports of inefficient and corrupt practices remain common. Members of the business community frequently complain of opaque processes and unclear division of responsibilities within and between bureaucracies, underscoring the difficulty and importance of implementation of legislated reforms. In its determination to become EU member, Macedonia has harmonized most of its legislation with EU. However, implementation remains weak, and there are examples of laws disproving one another.

Since 2006, the government has produced extensive legislative reform through a "regulatory guillotine" process that sought to identify excessive regulatory procedures. Over 50 percent of administrative procedures were eliminated in this process.

In the World Bank's "Doing Business 2012" report, Macedonia moved up from 34th to 22nd place in the rankings on the ease of doing business, of 183 countries ranked. Though the same report ranked Macedonia as third best reforming country in the world, new reforms often are not fully implemented due to a lack of administrative capacity and the reforms are often not comprehensive and their effect has been underwhelming for the business and investment environment as a whole.

Efficient Capital Markets and Portfolio Investment

[Return to top](#)

There are no legal barriers to the free flow of financial resources and portfolio investments. Financial resources are almost entirely managed through the Macedonian banking system. In 2011, foreign capital was present in 16 out of a total of 17 banks, and was dominant in 13 banks. According to the National Bank of the Republic of Macedonia (NBRM), foreign investors' share in total banking capital at the end of the first half of 2011 was 73 percent, which is 1.1 percentage points more than a year ago. Most banks experienced a moderate increase of non-performing loans (NPL) in the first quarter of the year due to the global economic crisis's effects on the real economy. At the end of June 2011, NPL accounted for 9.3 percent of total credit, a 0.8 percentage point drop from the same period of the previous year. Unlike the real sector, the banking sector weathered the crisis relatively smoothly and remains profitable, although profit in the first half of 2011 dropped by 28.2 percent compared to the same period of 2010.

Supervisory monitoring by the NBRM has continuously strengthened, enhancing depositors' confidence. In 2011, banks further increased their liquid assets, which at the end of June 2011 were 19.8 percent higher than a year ago. At the same time, the intermediation rate (measured as total assets/GDP) of 70.3 percent is low by regional comparison. Credit is available on the local market and allocated on market terms. Credit to private sector in 2011 came short of projections (8.1 percent at the end of in Q3 2011) due to bank's increased risks coming from the Eurozone crisis. The Central bank kept the reference rate, i.e. the interest rate on Central Bank (CB) bills at 4 percent.

Banks became more conservative in extending loans despite unchanged demand for credit from the private sector. The credit crunch initiated liquidity problems, especially for SMEs. The weighted average lending rate of the banking system at the end of October 2011 was 8.8 percent, while the deposit rate was 5.7 percent.

Domestic companies secure financing primarily from their own cash flow, due to lack of corporate bonds or securities as alternative credit instruments. Because of the scarcity of other private financing, credit demand is high, affecting interest rates. The leasing market is still underdeveloped and continued to suffer, although competition for clients has increased. Savings houses' share in the total assets of the banking system remained low at 1 percent and other institutions providing financial services have a total market share of nearly 1 percent.

Macedonia's securities markets are still modest in turnover and capitalization. The establishment of the Macedonian Stock Exchange (MSE) in 1995 made it possible to regulate portfolio investments. After reaching its peak in August 2007, MSE index has steadily dropped, reflecting the effects of the global economic crisis. At the end of June 2011, foreign portfolio investors accounted for 43.5 percent of the total MSE turnover, which is 29.7 percentage points less than in 2010. Market capitalization in the first half of the year was USD 2.8 billion, a 1.5 percent drop from a year ago. The main index MBI10 lost 14.5 percent of its value since the beginning of 2011, closing at 1,950 points on December 27.

The Macedonian Security and Exchange Commission (SEC) must license all MSE members for trading in securities, while regulating the market. MSE has two market segments: the Official Market, and the Regular Market. Companies listed on the Official Market must publicly disclose any price sensitive information related to their operation on a regular basis. The Regular Market has two sub-segments: a Market for publicly-held companies, which includes companies that have special reporting requirements towards the SEC, and a Free Market, which includes all other companies that provide minimal disclosure of records. Thirty-two companies were listed on the Official Market in 2011. Most of the trading activity takes place on the Official Market, where better-standing companies are listed and there is greater transparency and information disclosure.

Individuals do trade at the MSE, but mostly on their own, rather than through an investment fund. In late 2007 and in 2008, a few investment funds appeared at the market. However, the emergence of the global financial crisis severely limited their operations, and several brokerage houses closed in 2009 and 2010. Government paper is present on the stock exchange in the form of denationalization bonds, frozen foreign currency bonds and a few special purpose bonds. In January 2004, the government started issuing treasury bills, and has diversified the terms of maturity, striving to move more to longer-term bills. In 2009, it started issuing T-bills with a foreign exchange clause, which are very attractive for the banks. A fully convertible current account puts no restrictions on portfolio investments, but short-term capital inflows are still relatively low even to regional standards. Full liberalization of the capital account, allowing Macedonians to open foreign bank accounts from Macedonia, is yet to be implemented.

Macedonia has no regulatory defense measures directed against foreign investment. Similarly, there are no private or government efforts directed toward restricting foreign entities from investment, participation, or control of domestic enterprises, consortia or industrial organizations. On the contrary, the GOM in 2007 launched an expansive

campaign to attract foreign investors, which included promoting Macedonia in many of the world's leading newspapers and magazines, and visiting many governments, businesses and business associations throughout the world. In addition to two Ministers for Foreign Investment whose responsibilities are similar to those of a corporate headhunter, only targeting potential investors, the government through its agency Invest Macedonia, so far has sent over 20 economic promoters to different countries in the world to attract foreign investors. Macedonia is in the process of harmonizing its legal and regulatory systems with international, primarily European Union, standards.

Competition from State Owned Enterprises

[Return to top](#)

State owned enterprises (SOEs) are considered to be all public enterprises in which the government is the dominant shareholder. The Constitution of the Republic of Macedonia establishes the same terms of competition for both private and public enterprises with respect to access to markets, credit, and other business operations, including licenses and supplies. Under the law, SOEs are not given favorable positions or material advantages. There are SOEs operating in several sectors of the economy, such as energy, banking, water supply, communal utilities, and public transport. Also, there are sectors such as production of weaponry and narcotics in which private enterprises may not operate without government approval. General managers of SOEs are usually appointed by the government. Members of SOE boards of directors usually are comprised of both internal and external members appointed by the government. However, the general managers of SOEs routinely report to a line minister. A sovereign wealth fund does not exist in Macedonia.

Corporate Social Responsibility

[Return to top](#)

Although activities to promote corporate social responsibility have created some degree of awareness, corporate social responsibility remains an unclear and nascent concept. It is often perceived as an obligation pertaining only to large and profitable companies, with most businesses focusing on priorities required to turn a profit.

The American Chamber of Commerce in Macedonia has organized Business Forums with an aim of helping integrate the corporate social responsibility into business practices, and to make businesses more responsible to all of their stakeholders. Established in December 2007, the National Corporate Social Responsibility Body also is working on mobilizing companies to incorporate the corporate social responsibility practices in their strategies.

Political Violence

[Return to top](#)

Since 2001, Macedonia has been essentially free of political violence. In recent years, even politically-charged events such as the failed 2011 census have not sparked violence. In April and May of 2010 Macedonian police captured large arms and explosives caches in several locations, and four suspected arms smugglers were killed after they shot at police. Macedonian authorities remain vigilant and have improved their ability to provide security and stability, enabling a focus on economic development and integration into the EU and NATO. A contributor to peacekeeping efforts in Afghanistan and elsewhere, Macedonia has become a net provider of international security and stability.

Corruption

[Return to top](#)

Though most of the necessary laws are in place, enforcement is weak and the public is skeptical of the government's willingness to prosecute corrupt officials within its ranks. The public generally views the police, courts, higher education, and healthcare sector as the most corrupt public institutions. Instances of selective prosecution have compounded public mistrust of government institutions. United States investors and businesspeople have reported being solicited for bribes. Corruption frequently is related to lack of capacity, as regulators and bureaucrats, not fully understanding their own duties and responsibilities, have been reported to feign reluctance to act until a bribe or other incentive is offered to justify their taking the "risk" of fulfilling their duties. Transparency International gave Macedonia a score of 3.9 (on a 1 to 10 scale where 10 is least corrupt) on the 2011 Corruption Perception Index, a decrease from Macedonia's score of 4.1 in 2010.

The government has reduced opportunities for corruption by adopting "e-government" systems for managing international cargo transport licenses, for issuing export/import licenses, and for managing public procurement. The Customs Agency in particular has improved services through internal reforms and adoption of electronic customs clearance solutions. The simplified and automated processes enable businesses to monitor the status of their applications in these areas. Such systems are an improvement, but businesses frequently report that processes still are not completed quickly and that they are under-utilized in the case of public procurement.

The Law on Criminal Procedure criminalizes bribery and abuse of official position. Other anti-corruption laws include the Law on Money Laundering Prevention and the Law on Corruption Prevention, which provide for penalties including prison and confiscation of illegally-obtained property. Macedonia has signed the Organization for Economic Cooperation and Development's (OECD) Convention on Combating Bribery. Macedonia ratified the UN Convention Against Corruption in early 2007, and has ratified the UN Convention against Transnational Organized Crime.

Bilateral Investment Agreements

[Return to top](#)

Macedonia has concluded an "Agreement for Promotion and Protection of Foreign Direct Investments" with the following countries: Albania, Austria, Bosnia and Herzegovina, Bulgaria, Belarus, Belgium, Luxembourg, Germany, Egypt, Iran, Italy, India, Spain, Serbia, Montenegro, China, North Korea, Malaysia, Poland, Romania, Russia, Slovenia, Turkey, Ukraine, Hungary, Finland, France, the Netherlands, Croatia, Czech Republic, Switzerland, and Sweden.

Macedonia is a signatory of three multilateral Free Trade Agreements:

- SAA (Stabilization and Association Agreement) with the EU member-states;
- EFTA (European Free Trade Agreement) with Switzerland, Norway, Iceland and Liechtenstein; and
- CEFTA (Central European Free Trade Agreement) with Albania, Moldova, Croatia, Serbia, Montenegro, Bosnia and Herzegovina and Kosovo.

Bilateral Free Trade Agreements are signed with Turkey and Ukraine.

Macedonia does not have a bilateral investment or double taxation treaty with the U.S.

OPIC and Other Investment Insurance Programs

[Return to top](#)

Financing and insurance for exports, investment, and development projects are made possible through agencies such as the U.S. Trade and Development Agency (TDA); the U.S. Export-Import Bank (EX-IM); the Overseas Private Investment Corporation (OPIC); the European Bank for Reconstruction and Development (EBRD); the International Bank for Reconstruction and Development (World Bank); the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the Southeast Europe Equity Fund (SEEF). Most of the funding for major projects is achieved through co-financing agreements, especially in the transportation, telecommunications and energy infrastructure development fields.

OPIC and MIGA are the country's chief investment insurance providers. OPIC insurance and project financing have been available to investors in Macedonia since 1996. OPIC's three main activities are risk insurance, project finance and investment funding. MIGA provides investment guarantees against certain non-commercial risks (i.e., political risk insurance) to eligible foreign investors making qualified investments in developing member countries. MIGA covers investors against the risks of currency transfer restrictions, expropriation, breach of contract, and war or civil disturbance.

Though its primary focus is investment assistance - including direct loans and capital guarantees aimed at the export of non-military items - EX-IM also provides some insurance policies to protect against both political and commercial risks. TDA, SEEF, World Bank and EBRD focus more directly on financing agreements.

Labor

[Return to top](#)

Relations between employee and employer generally are regulated by an individual employment contract pursuant to Section II, Articles 13-21 of the Law on Working Relations. Employment of foreign citizens is regulated by the Law on Foreigners. The employment contract, which must be in writing and kept on the premises, should address the following provisions: description of the employee's duties, duration of the contract (finite or indefinite), effective and termination date, location of the work place, hours of work, rest and vacation periods, qualifications and training, salary and pay schedule.

The law is relatively flexible with regard to working hours. Normal working hours for an employee are eight hours per day, five days per week. According to labor regulations, an employee is entitled to a minimum of 20 working days and a maximum of 26 working days of paid annual leave during the course of a calendar year. Work permits are required for foreign nationals. There is, however, no limitation on the number of employed foreign nationals or the duration of their stay. As noted above, many international businesses report that the process of obtaining visas and work permits can be frustratingly slow.

There are two main associations of trade unions - The Union of Trade Unions and the Confederation of Free Trade Unions. Each association is comprised of independent

branch unions from the public and private business sector. Both associations, along with the representatives of the two largest employers associations, and representatives of relevant ministries, are members of the Economic Social Council. The Council meets regularly to discuss issues of concern for both employers and employees and review amendments of the labor related laws.

Trade unions are interest-based, autonomous labor organizations. Membership is voluntary and activities are financed by membership dues. Almost 75 percent of legally employed workers are dues-paying union members. However, largely as a result of Macedonia's high unemployment, generally difficult economic climate, and political infighting, the unions generally have not exercised much leverage on employers in recent years.

In 2011, the Government, employers associations and trade union associations agreed on the minimum wage of 8050 MKD (USD 187). The Law on minimum wage, which will take effect on January 1, will be phased in over a three year period

National collective bargaining agreements are negotiated between the labor unions, the Ministry of Labor and Social Welfare, and Macedonia's economic chambers and employer's associations. There are two main agreements for public and private sector on the national level, and separate contracts are negotiated by the branch unions, or at the industry or company level. Key challenges faced by unions include high levels of unemployment and the effects of privatization of inefficient state companies.

Foreign Trade Zones/Free Trade Zones

[Return to top](#)

There are four major designated free trade zones, known as Technological Industrial Development Zones (TIDZs) in Macedonia: Skopje 1 (Bunardzik) and Skopje 2 (an area north of Skopje), an area in the city of Stip, and an area in the city of Tetovo. Amended legislation (<http://www.fez.gov.mk/tir-zones-law.html>) has been prepared for permitting and regulating such zones, and a Directorate for Technological Industrial Development Zones (<http://www.fez.gov.mk>) was established in order to conduct activities regarding the development, establishment and supervision of activities in the TIDZs.

Johnson Controls, an American automotive components manufacturer, in 2006 invested in a manufacturing plant in the Bunardzik TIDZ and began production operations in mid-December 2007. The Johnson Controls factory produces automotive electronic equipment and has steadily grown since its opening, and now employs 120 workers. In October 2011 Johnson Controls begin construction on a new plant in the Stip TIDZ. When completed and put in operation, this new Johnson Controls plant is expected to create 1,400 new jobs. Another U.S. based company – Kemet Electronics Corporation – a producer of capacitors, is constructing a production facility at the Skopje 1 (Bunardzik) TIDZ. When construction begins in 2012, it will gradually create 500 new jobs. Other foreign investors present in the Bunardzik TIDZ include Johnson-Matthey (producing catalytic converters for automobiles), TeknoHose – an Italian firm that is preparing a factory in Bunardzik TIDZ to begin production of high-pressure hydraulic fittings, Protek Group – a pharmaceutical company from Russia that in September 2011 started construction of a manufacturing facility for homeopathic pharmaceuticals, cereals, herbs and vitamins and minerals. Samvardhana Motherson Reflectec is constructing a plant in the Bunardzik TIDZ to produce die-cast automobile parts and exterior glass for rearview mirrors.

Foreign Direct Investment Statistics[Return to top](#)**1. Net Foreign Direct Investment by Year (\$ millions):**

Year	\$ Millions
-----	-----
2000	215.1
2001	447.1
2002	105.6
2003	117.8
2004	323.0
2005	97.0
2006	424.2
2007	699.1
2008	587.0
2009	197.1
2010	207.5
Sep. 2011	235.1

(Source: National Bank of the Republic of Macedonia)

2. Net Foreign Direct Investment by Country (\$ millions) (for selected countries):

Country	2005	2006	2007	2008	2009	2010	Q3 2011
Greece	21.8	51.2	61.2	10.8	-103.5	10.0	2.2
Germany	-0.5	0.7	12.6	6.0	-0.2	8.1	8.6
Austria	- 8.4	155.2	14.5	141.8	49.3	43.3	31.6
Hungary	-4.8	1.0	99.9	-12.2	-0.02	-65.1	-5.5
Switzerland	21.4	27.2	42.4	37.0	12.2	-24.5	5.6
Slovenia	11.0	12.9	85.6	114.9	133.9	14.0	25.3
Netherlands	15.1	18.5	37.1	3.5	127.1	-51.4	111.7
Serbia	6.5	19.0	75.5	5.0	0.7	-0.1	1.0
Great Britain	0.2	15.1	55.0	53.2	-67.6	75.1	-58.0
Cyprus	5.8	34.0	4.5	6.9	1.8	7.2	5.4
U.S.A.	0.04	7.8	2.2	13.1	6.8	-0.03	1.3

(Source: National Bank of the Republic of Macedonia)

3. Top Foreign Investments through Privatization and Post-Privatization:

Name	Country	Investment	\$ million	Year
Stonebridge	(various)	Makedonski	346.5	2000

		Telekom		
EVN	Austria	ESM Distribution	270.2	2006
Telekom Slovenije	Slovenia	Cosmofon, Germanos, OnNet	247.0	2009
Johnson Matthey	UK	Johnson Matthey	71.5	2009
Steiermarkische Bank und Sparkasse AG	Austria	Invest Banka	65.3	2008
National Bank of Greece	Greece	Stopanska Banka Skopje	46.4	2000
Demir-Halk Bank	The Netherlands	IK Banka	34.3	2008
Balkanbrew Holding	Greece	Skopje Brewery	34.0	1998
Hellenic Petroleum	Greece	OKTA refinery	32.0	1999
Société Générale	France	Ohridska Banka	30.4	2007
Titan, Holderbank	Greece, Switz.	Usje Cement Factory	30.0	1998
NLB Group	Slovenia	Tutunska Bank	24.2	2000
Balkan Steel	Liechtenstein	Ladna Valalnica	21.0	1997
Centralna Kooperativna Banka	Bulgaria	Sileks Banka	19.6	2008
QBE Insurance	UK	ADOR Makedonija	14.8	2000
Elbisko SA Atika	Greece	Zito Luks Skopje	14.0	2001
Duferco Skop Investments LTD	Liechtenstein	Makstil	11.5	1997
East West Trade	Austria	Centro	11.0	1996
FHL Kirijakidis S.A.	Greece	Mermeren kombinat Prilep	9.6	2000
Milestone	Iceland	KIB Kumanovo	6.4	2007
KNAUF Gmb	Austria	Radika Debar	3.5	1997
Gerlico Group	The Netherlands	Steel Con	3.5	2011
KuppBall- Transthandel	Germany	FZC Kumanovo	3.4	2000
Tobacna Ljubljana	Slovenia	Tutunski kombinat Skopje	3.0	1999
ERA Velenje	Slovenia	Skopski Saem	2.9	2001

Alskop GmbH	Germany	Fabrika za kabli Negotino	2.9	2000
Intabex Netherlands	The Netherlands	Jugotutun Kavadarci	2.4	1997
SCMM	France	Feni-Kavadarci	2.3	2000

4. Macedonia's Direct Investment Abroad (in USD as of end 2009):

SR Yugoslavia	211.5
Serbia	163.8
Croatia	68.2
Bulgaria	24.5
Albania	22.2
China	11.7
Greece	8.7
Ukraine	8.1
Germany	5.3
U.S.A.	3.6

(Source: National Bank of the Republic of Macedonia)

Web Resources

[Return to top](#)

National Bank of the Republic of Macedonia - <http://www.nbrm.gov.mk>

European Bank for Reconstruction and Development - <http://www.ebrd.com>

Organization for Economic Co-operation and Development - <http://www.oecd.org>

Website of the Government of Macedonia - <http://www.gov.mk>

Ministry of Economy - <http://www.economy.gov.mk>

Ministry of Finance - <http://www.finance.gov.mk>

Ministry of Culture - <http://www.culture.in.mk>

Ministry of Internal Affairs - <http://www.moi.gov.mk>

Industrial Property Protection Office - <http://www.ippo.gov.mk>

Agency for Foreign Investments - <http://www.investinmacedonia.com>

Free Trade Zone "Bunardzik" - <http://www.bunardzik.com.mk>

Macedonian Customs Authority - <http://www.customs.gov.mk>

Macedonian Statistical Office - <http://www.stat.gov.mk>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

How Do I Get Paid (Methods of Payment)

[Return to top](#)

Trade financing options for Macedonian importers are limited. A considerable number of large importers regularly receive goods under a short-term supplier credit agreement. Importers are free to arrange payments through long-term supplier loans when they make larger purchases. For transactions abroad, the most preferred forms of payment are letters of credit or payments made in advance. The Macedonian Bank for Development Promotion (<http://www.mbdp.com.mk/index.php/en/>) provides some loans to small and medium size companies seeking to purchase technology and equipment from overseas.

Open to both the public and private sector, the U.S. Export-Import Bank (EX-IM) serves as a potential source of export financing and insurance for U.S. transactions in Macedonia. The U.S. Small Business Administration also provides financial and business development assistance to aid small U.S. companies in developing export markets.

The SME (Small and Medium Enterprise) Commercial Finance Fund, managed and operated by Crimson Capital Corporation (USA) and which was originally established and operated with USAID financing, targets Macedonian companies that need short-term financing to fill a large order. It offers companies working capital at market interest rates against a purchase order.

How Does the Banking System Operate

[Return to top](#)

The financial system in Macedonia consists of the National Bank of the Republic of Macedonia (Central Bank), commercial banks, savings houses, exchange offices, the Deposit Insurance Fund, insurance companies, pension funds, investment funds, brokerage firms, and a stock exchange. The banking system itself is two-tiered, based on the Banking Law and the National Bank Law. The Central Bank is the independent money-issuing institution responsible for price stability, stability of the national currency (denar), stability of the financial system, general liquidity of payments within the country and abroad, and the conduct of the monetary policy and the foreign exchange policy. The Supervision Department at the Central Bank serves as the main regulatory body responsible for the supervision of all banking institutions and savings houses.

The Central Bank implements a monetary program whose main goal is to maintain price stability. This objective is achieved by an exchange rate targeting strategy, whereby the denar is pegged against the euro as a nominal anchor for the economy. The Central Bank prepares monetary and foreign exchange projections and reports, which are publically available.

The banking system in Macedonia consists of 16 private banks, 8 savings houses and the state-owned Macedonian Bank for Development Promotion. According to the Banking Law, banks observe the principles of profit maximization, liquidity, safety and profitability. With the new Banking law adopted in July 2007, a foreign bank could have presence either as a legal entity or by opening up a branch or a representative office. Savings houses are limited in their banking activities to savings-related services for individuals. They may neither directly lend to companies and individuals nor undertake other banking operations. Non-bank financial institutions are not sufficiently developed and the legal framework for their existence is yet to be created.

In 2001, Ohridska Banka, a member of the French Société Générale group joined the group of large banks by increasing its total assets over the threshold of 22.5 billion denars. A group of large banks, consisting of Komercijalna Banka, Stopanska Banka Skopje, NLB Tutunska Banka and Ohridska Banka dominate the banking system. In the three quarters of 2011, these banks held 72.2 percent of the total assets of the banking system, 74.8 percent of the total gross credits, and 78.1 percent of the total deposits.

Over the past few years bank deposits have consistently increased, reflecting increased trust in the banking system. In 2011, total deposits increased by 9.2 percent compared to 2010, while total loans to enterprises and households were 8.5 percent higher. Due to the short maturity of the deposits, banks are reluctant to make longer-term loans, and tend to keep most of their liquidity safe by purchasing treasury bills or keeping accounts abroad.

Few banks in Macedonia faced liquidity or solvency problems. In 2005, Rado Banka had its operating license revoked by the Central Bank. Ownership structure problems in Makedonska Banka have prevented it from overcoming some serious long-lasting problems, despite being under the Central Bank's receivership for a prolonged period of time. An illegal attempt of the dominant shareholder to change the bank's ownership structure within the extended deadline triggered a Central Bank decision to revoke Makedonska Banka's operating license in October 2007. A joint IMF and World Bank team, through the Financial Sector Assessment Program, has assessed the banking system as stable and resistant to various risks (interest rates, foreign exchange, credit risk etc.). The Central Bank occasionally conducts stress tests of the banking system, and no major weakness has been detected so far. Banking supervision has shifted to comply with the new BASEL 2 recommendations.

In the first three quarters of 2011, foreign capital was dominant in 13 banks, retaining 73 percent of the total shareholders capital of the banking system. In 2011 the Turkish Halk Bank took over the Netherlands-based Demir Halk Bank. Also, the dominant shareholder, the Austrian Sparkasse Bank increased its capital by additional 15 million euros.

The banking sector in the first three quarters of 2011 realized net profits of USD 5.4 million, which is 72.9 percent less than a year ago. Eight out of 17 banks with a market

share of 15.5 percent showed net losses, while all others were profitable. The group of large banks accounted for 92 percent of the total net profit of the banking sector. At the end of 2010, the banking sector employed 6,052 people, which is almost unchanged from a year ago.

Although considerably improved over the past several years, the Macedonian financial system is still relatively underdeveloped compared to Western standards, as certain elements have not been established yet, including legislation regulating non-bank financial institutions. Banking is very conservative, offering traditional banking services only. However, commercial banks are trying to catch up by offering new banking services and products. The use of credit cards is widespread and most of the companies and shops accept credit cards as a payment instrument. Credit is available to private companies, but it is still rather expensive and subject to significant collateral in the form of real estate, which often is appraised by the banks at lower than the market value. Overall customer service still does not meet Western standards and needs improvement, although there are some bright exceptions, which should serve to increase competition in this area.

The average weighted lending rate of the banking system in 2011 was 8.9 percent, while the average weighted deposit rate was 5.9 percent.

For more detailed information about various aspects of the banking system and its performance, the National Bank of Macedonia publishes annual and semi-annual reports on banking supervision as well as other data and information on the following web page: www.nbrm.gov.mk.

Foreign-Exchange Controls

[Return to top](#)

Domestic and foreign entities are treated equally when opening bank accounts in Macedonia. Foreign exchange operations are regulated by the Law on Foreign Exchange Operations (Official Gazette No. 34/2001, No.49/2001 and No. 103/2001), which became effective on October 15, 2002, and was later slightly amended (Official Gazette No. 54/2002 and No. 51/2003.) The main objectives of this law are to:

1. regulate resident and non-resident foreign transfers to and from Macedonia; and
2. supervise and control foreign exchange.

This law also regulates the operations of exchange offices. Foreign currency accounts and foreign currency deposits of domestic and foreign individuals are regulated by the Banking Law (Official Gazette No. 67/2007). The new National Bank Law that was passed in 2010 (Official Gazette No. 158/2010) allowed supervision to switch from a compliance-based to a risk-based model, and to further strengthen the authorities and independence of the Central Bank.

U.S. Banks and Local Correspondent Banks

[Return to top](#)

- There are no U.S. Banks present in Macedonia.

- Major Macedonian banks:

Komercijalna Banka AD
Kej. Dimitar Vlahov, 4
1000 Skopje, Republic of Macedonia
Tel: 389-2-310-7107
Fax: 389-2-311-1780
<http://www.kb.com.mk>

Stopanska Banka AD
Ul. 11 Oktomvri
1000 Skopje, Republic of Macedonia
Tel: 389-2-329-5295
Fax: 389-2-311-4503
<http://www.stb.com.mk>

NLB - Tutunska Banka
Vodnjanska, 1
1000 Skopje, Republic of Macedonia
Tel: 389-2-15-600
Fax: 389-2-310-5681
<http://www.nlbtb.com.mk>

ProCredit Bank
Ul. Jane Sandanski, 109 A
1000 Skopje, Republic of Macedonia
Tel: 389-2-321-9900
Fax: 389-2-321-9901
<http://www.pbb.com.mk>

Macedonian Bank for Development Promotion
Ul. Veljko Vlahovic, 26
1000 Skopje, Republic of Macedonia
Tel: 389-2-311-5844
Fax: 389-2-323-9688
<http://www.mbdp.com.mk>

Project Financing

[Return to top](#)

Financing and insurance for exports, investment and development projects are possible through U.S. agencies such as the U.S. Trade and Development Agency (TDA), the U.S. Export-Import Bank (EX-IM), the Overseas Private Investment Corporation (OPIC), the European Bank for Reconstruction and Development (EBRD), the International Bank for Reconstruction and Development (World Bank), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the Southeast Europe Equity Fund (SEEF).

Most major project funding is achieved through co-financing agreements, especially for transportation, telecommunication and energy projects.

Web Resources

[Return to top](#)

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

U.S. Trade and Development Agency: <http://www.tda.gov/>

Multilateral Investment Guarantee Agency: <http://www.miga.org>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

Business Customs

[Return to top](#)

There are no specific customary business practices distinct to Macedonia. Macedonia's business customs are generally similar to Western business customs.

Business attire for professionals in Macedonia is similar to that in the U.S. Shaking hands is the standard form of greeting and introduction. Establishing a good relationship in Macedonia requires the creation of trust. Meetings over coffee, luncheons and dinners create the opportunity to gain both mutual trust and understanding.

Traditional businesses operate from 8:30 AM until 4:30 PM, but an increasing number of businesses are adopting Western working hours, including weekend hours.

Travel Advisory

[Return to top](#)

Prior to travel, U.S. citizens are encouraged to check the Embassy web site <http://macedonia.usembassy.gov/> or the State Department site at <http://www.travel.state.gov> for the latest travel warnings and advisories. Travelers may also contact the Consular Section at the U.S. Embassy in Skopje (phone: + 389-2-310-2000 or fax: + 389-2-310-2499).

Crime in Macedonia is relatively low, but precautionary measures should be taken at all times.

Visa Requirements

[Return to top](#)

U.S. citizens wishing to enter Macedonia need a valid passport. A visa for Macedonia is not required for tourist/business purposes for stays up to 90 days.

Macedonian citizens may find information and applications for obtaining a U.S. visa at:

U.S. Embassy – Skopje, Macedonia: <http://macedonia.usembassy.gov/>

Telecommunications

[Return to top](#)

Fixed telephony is available in all towns. Visitors may rent a cell phone on arrival. European GSM phones will work in Macedonia. There is cell phone coverage in all populated areas and in most unpopulated areas as well.

Fixed lines are provided by the dominant telecommunication service provider - Macedonian Telecommunications (T-Home), and a range of other providers of public fixed telephony services. There are three cell phone service providers – T-Mobile, wholly owned by T-Home, Telekom Slovenia Group-owned ONE, and VIP Operator – a member of Mobilkom Austria Group.

There are several Internet access service providers. See Web Resources.

Transportation

[Return to top](#)

Airports:

Skopje “Alexander the Great” Airport – Petrovec (20km east from Skopje)

Tel: 389-2-314-8333

<http://www.airports.com.mk>

Ohrid “Saint Paul the Apostle” Airport (12km north-west from Ohrid)

Tel: 389-46-252-830

<http://www.airports.com.mk>

Airlines:

Adria Airways

Tel: 389-2-322-9975

<http://www.adria.si/>

Austrian Airlines

Tel: 389-2-324-8800

<http://www.austrian.com>

Croatia Airlines

Tel: 389-2-314-8390

<http://www.croatiaairlines.com>

Czech Airlines

Tel: 389-2-311-1214

<http://www.csa.cz/>

JAT

Tel: 389-2-311-8306

<http://www.jat.com>

Turkish Airlines

Tel: 389-2-311-6149

<http://www.turkishairlines.com>

Rent a Car Agencies:

AVIS Rent a Car

Tel: 389-2-322-2046

<http://www.avis.com.mk>

BUDGET Rent a Car

Tel: 389-2-329-0222

<http://www.budget.com.mk>

Language

[Return to top](#)

Many of Macedonia's citizens speak foreign languages. English is the predominant foreign language, followed by German and French. Although many companies in Macedonia have English speakers among their managers, U.S. business representatives should be prepared to do business through locally hired interpreters.

Health

[Return to top](#)

Many Macedonian physicians are trained to a high standard, and some well-equipped private clinics are available, especially in Skopje. However, most public hospitals and clinics are not equipped nor are they maintained at U.S. or Western European standards. Basic medical supplies are usually available, but specialized treatment may not be obtainable. Travelers with previously diagnosed medical conditions may wish to consult their physician before travel.

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Centers for Disease Control and Prevention's info line at 1-800-CDC-INFO (1-800-232-4636) or via the CDC's internet site at <http://www.cdc.gov/travel>.

Local Time, Business Hours, and Holidays

[Return to top](#)

Time: GMT + 1 hour

Business Hours: 08:30 – 16:30

2012 Holidays:

January 1	- New Year's Day
January 7	- Orthodox Christmas
April 15	- Orthodox Easter
May 1	- Labor Day
May 24	- Saint Cyril and Methodius Day
August 2	- Ilinden Uprising Day
August 19	- Ramadan Bajram
September 8	- Independence Day
October 11	- People's Uprising Against Fascism
October 23	- Revolutionary Struggle Day
December 8	- Saint Clement of Ohrid Day

If a holiday falls on a weekend, the government will generally issue a decision shortly before the holiday declaring the preceding Friday or following Monday an official holiday. In some cases, the government may declare an extended holiday.

Consistent with European practices, business activity in Macedonia slows during late July and August, when many people take their extended summer holidays.

Temporary Entry of Materials and Personal Belongings

[Return to top](#)

<http://www.customs.gov.mk/EN/DesktopDefault.aspx?tabindex=0&tabid=22>

Web Resources

[Return to top](#)

T-Home (Macedonian Telecommunications)

Tel: 389-2-310-0200

<http://www.telekom.mk/en/?z=219>

T-Mobile

Tel: 389-70-6622

<http://www.t-mobile.mk/public/personal-customers.nspix>

ONE

Tel: 389-2-181

<http://www.one.mk/>

VIP

Tel: 389-77-1234

<http://www.vip.mk>

UNET

Tel: 389-2-306-6505

<http://www.unet.mk>

Neotel
Tel: 389-2-551-1100
<http://neotel.mk/>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 9: Contacts, Market Research, and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

Contacts

[Return to top](#)

U.S. Government:

Embassy of the United States of America
Economic / Commercial Office
Mr. Arben Gega, Commercial Specialist
Samoilova, 21
1000 Skopje, Republic of Macedonia
Phone: 389-2-310-2000 ext. 2403
Fax: 389-2-310-2499
E-mail: GegaA@state.gov

U.S. Department of Commerce
Office of European Country Affairs / Central and Southeastern Europe
Mr. Ryan Barnes, Country Desk Officer
14th and Constitution, NW, Washington, D.C. 20230
Phone: 202-482-4262
Fax: 202-482-4505
E-mail: ryan.barnes@mail.doc.gov

U.S. Department of Commerce
Office of European Country Affairs / Central and Southeastern Europe
Ms. Cherie Rusnak, Director
H-3319, 14th and Constitution, NW, Washington, D.C. 20230
Phone: 202-482-4915
Fax: 202-482-4505
E-mail: cherie_rusnak@ita.doc.gov

U.S. Trade and Development Agency
Mr. Leocadia Zak, Director
1000 Wilson Boulevard, Suite 1600
Arlington, VA 22209-3901
Phone: 703-875-4357
Fax: 703-875-4009
E-mail: mena_europe@ustda.gov
Website: <http://www.tda.gov>

U.S. Export-Import Bank
811 Vermont Avenue, N.W.

Washington, D.C. 20571
Phone: (202) 565-3946 (EXIM) or (800) 565-3946 (EXIM)
E-mail: info@exim.gov
Website: www.exim.gov

Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, NW
Washington, DC 20527
Phone: (202) 336-8400
Website: <http://www.opic.gov>

U.S. Department of Agriculture
Foreign Agricultural Service
1400 Independence Ave. SW
Washington, DC 20250
Phone: 202-720-7420
Website: <http://www.fas.usda.gov>

Business Associations:

American Chamber of Commerce in Macedonia
Mrs. Sonja McGurk, Executive Director
Ivo Lola Ribar, 59A - 1/15
1000 Skopje, Republic of Macedonia
Phone: 389-2-321-6714
Fax: 389-2-324-6950
E-mail: info@amcham.com.mk
Website: www.amcham.com.mk

Union of Chambers of Commerce in Macedonia
Mr. Zlatko Kalenikov, President
Prashka Str., 23
1000 Skopje, Republic of Macedonia
Phone/Fax: 389-2-309-1440
E-mail: info@sojuzkomori.org.mk
Website: www.sojuzkomori.org.mk

Economic Chamber of North-West Macedonia
Mr. Blerim Zllatku, Executive Director
Dimitrie Cupovski, 13
1000 Skopje, Republic of Macedonia
Phone: 389-2-323-9252
Fax: 389-2-329-0075
E-mail: info@oemvp.org
Website: <http://www.oemvp.org>

Economic Chamber of Macedonia
Mr. Branko Azeski, President
Dimitrie Cupovski, 13
1000 Skopje, Republic of Macedonia
Phone: 389-2-324-4000

Fax: 389-2-324-4088
E-mail: ic@mchamber.mk
Website: www.mchamber.mk

Government of Macedonia

Website: www.gov.mk
www.investinmacedonia.com

Embassy of the Republic of Macedonia
Mr. Zoran Jolevski, Ambassador
2129 Wyoming Ave., NW
Washington, D.C. 20008
Phone: 202-667-0501, ext. 0
E-mail: usoffice@macedonianembassy.org
<http://www.macedonianembassy.org>

Government of the Republic of Macedonia

Mr. Vele Samak, Minister for Foreign Investments
ILINDEN, bb
1000 Skopje, Republic of Macedonia
Phone: 389-2-322-3672 or Fax: 389-2-322-3674
E-mail: vsamak@gmail.com

Ministry of Transport and Communications
Mr. Mile Janakieski, Minister
Plostad Crvena Skopska Opstina, 4
1000 Skopje, Republic of Macedonia
Phone: 389-2-312-3292 or Fax: 389-2-312-6228
<http://www.mtc.gov.mk>

Ministry of Economy
Mr. Valon Saraqini, Minister
Jurij Gagarin, 15
1000 Skopje, Republic of Macedonia
Phone: 389-2-309-3470 or Fax: 389-2-308-4472
<http://www.economy.gov.mk>

Ministry of Finance
Mr. Zoran Stavreski, Minister
Mito Hadzivasilev Jasmin, bb
1000 Skopje, Republic of Macedonia
Phone: 389-2-311-7288 or Fax: 389-2-310-6779
<http://www.finance.gov.mk>

Ministry of Agriculture, Forestry and Water Resource Management
Mr. Ljupco Dimovski, Minister
Jurij Gagarin, 15
1000 Skopje, Republic of Macedonia
Phone/Fax: 389-2-311-4477

<http://www.mzsv.gov.mk>

Ministry of Foreign Affairs
Mr. Nikola Poposki, Minister
Dame Gruev, 6
1000 Skopje, Republic of Macedonia
Phone: 389-2-311-5266 or Fax: 389-2-311-5790
<http://www.mfa.gov.mk>

Ministry of Defense
Mr. Fatmir Besimi, Minister
Orce Nikolov, bb
1000, Skopje, Republic of Macedonia
Phone: 389-2-328-2042 or Fax: 389-2-328-3991
<http://www.morm.gov.mk>

Ministry of Health
Mr. Nikola Todorov, Minister
Vodnjanska, bb
1000 Skopje, Republic of Macedonia
Phone: 389-2-311-2500 or Fax: 389-2-311-3014
<http://www.moh.gov.mk>

Ministry of Labor and Social Policy
Mr. Spiro Ristovski, Minister,
Dame Gruev, 14
1000 Skopje, Republic of Macedonia
Phone: 389-2-310-6212 or Fax: 389-2-322-0408
<http://www.mtsp.gov.mk>

Ministry of Education and Science
Mr. Pance Kraleov, Minister
Mito Hadzivasilev Jasmin, bb
1000 Skopje, Republic of Macedonia
Phone: 389-2-314-0102 or Fax: 389-2-322-6744
<http://www.mon.gov.mk>

Ministry of Culture
Mr. Elizabeta Kanceska Milevska, Minister
Gjuro Gjakovic, 61
1000 Skopje, Republic of Macedonia
Phone: 389-2-324-0600 or Fax: 389-2-322-6920
<http://www.kultura.gov.mk>

Ministry of Justice
Mr. Blerim Bexheti, Minister
Dimitrija Cupovski, 9
1000 Skopje, Republic of Macedonia
Phone: 389-2-311-7288 or Fax: 389-2-322-6975
<http://www.pravda.gov.mk>

Ministry of Internal Affairs
Ms. Gordana Jankuloska, Minister
Dimce Mircev, bb
1000 Skopje, Republic of Macedonia
Phone: 389-2-322-1972 or Fax: 389-2-311-2468
<http://www.mvr.gov.mk>

Ministry of Environment and Physical Planning
Mr. Abdylaqim Ademi, Minister
Bul. Gove Delcev (MRTV Building/10,11,12 floor)
1000 Skopje, Republic of Macedonia
Phone: 389-2-325-1400 or Fax: 389-2-322-0165
<http://www.moepp.gov.mk>

Ministry of Local Self - Government
Mr. Nevzat Bejta, Minister
Mito Hadzivasilev Jasmin, bb
1000 Skopje, Republic of Macedonia
Phone: 389-2-325-3921 or Fax: 389-2-325-3920
<http://www.mls.gov.mk>

Macedonian Information Agency
Mr. Zoran Ivanov, Director
Bojmija K-2
1000 Skopje, Republic of Macedonia
Phone: 389-2-246-1600 or Fax: 389-2-246-4048
<http://www.mia.com.mk>

Agency for Foreign Investments
Mr. Visar Fida, Director
Nikola Vapcarov 7
1000 Skopje, Republic of Macedonia
Phone: 389-2-312-6059 or Fax: 389-2-312-2098
Email: fdi@investinmacedonia.com
<http://www.investinmacedonia.com>

Customs Administration
Mr. Vanco Kargov, Director
Lazar Licenovski, 13
1000 Skopje, Republic of Macedonia
Phone: 389-2-312-1144; 312-5388 or Fax: 389-2-312-4054
<http://www.customs.gov.mk>

National Bank (Central Bank)
Mr. Dimitar Bogov, Governor
Kuzman Josifovski Pitu, 1
1000 Skopje, Republic of Macedonia
Phone: 389-2-310-8108 or Fax: 389-2-310-8357
<http://www.nbrm.com.mk>

Statistical Office
Mrs. Blagica Novkovska, Director
Dame Gruev, 4
1000 Skopje, Republic of Macedonia
Phone: 389-2-329-5773 or Fax: 389-2-311-1336
<http://www.stat.gov.mk>

Industrial Property Protection Office
Mr. Safet Emruli, Director
11 Oktomvri, 25
1000 Skopje, Republic of Macedonia
Phone: 389-2-310-3601 or Fax: 389-2-313-7149
<http://www.ippo.gov.mk>

Market Research

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service, please go to the following website: <http://export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration for the site is required, but its use is free of charge.

Trade Events

[Return to top](#)

Please click on the link below for information on upcoming trade events.

<http://export.gov/tradeevents/index.asp>

The Skopje Trade Fair schedule is at:

<http://www.eragrupa.mk/mk/SkopjeFair/index.aspx>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the links below.

<http://www.buyusa.gov/>

<http://export.gov/>

<http://export.gov/Macedonia/index.asp>

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

[Return to table of contents](#)